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CANADIAN ANNUAL REVIEW AND OUTLOOK ISSUE

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 187 Number 5712 New York 7, N. Y., Thursday, January 30, 1958 Price 50 Cents a Copy

EDITORIAL

As We See It

There is a passage in the President's Economic Report to Congress this year which seems to us to be particularly worthy of careful attention by the thoughtful man who wishes to understand thoroughly what the economic philosophy of this Administration is. These words are significant for what they say, and perhaps even more noteworthy for what they do not say. They breathe the middle-of-the-road attitude of the President at the same time that they seem to display a naivete that we are sure some, at least, of his economic advisers do not share. The passage, though somewhat long, is reproduced in full as follows:

"There is no simple explanation of recent economic developments and no easy solution to the problem of maintaining high employment, vigorous economic growth, and reasonably stable prices. But it is clear that the combination of policies and practices followed in the recent past by the various participants in our economic life has given results that in certain important respects are unfavorable.

"There are critical questions here for the leadership of business and labor, as well as for government. Business concerns must re-examine their policies and practices. Price increases that are unwarranted by costs or that attempt to recapture investment outlays too quickly not only lower the purchasing power of the dollar but may be self-defeating by causing a restriction of markets, lower output, under-utilization of capacity, and a narrowing of the return on capital investment.

"The leadership of labor must recognize that wage increases that go beyond prospective pro-

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Neighbors Over The Back Fence

By HON. SIDNEY E. SMITH*
Secretary of State for External Affairs, Ottawa, Canada

Fear of American control over important sectors of Canadian economy and distaste for our foreign trade restrictive practices are enunciated by Canadian Secretary of State, in asking for continued "clear vision" between the two countries, and states he speaks neither as a suppliant nor as a jingoist. Mr. Smith emphasizes areas of special relationship between Canada-U. S. A. and indicates where he believes improvements can be made in improving neighborliness.

It is vital to good government in a democracy not merely that public opinion must have its play and its influence upon policies but that the opinion itself should be based upon wide and sound information which prevents it from taking a distorted or inadequate view of matters of past, present or future concern to the country.


Sidney Earle Smith

In a recent article the Secretary of State of the United States, Mr. Dulles, has said: "Since 1945 our Government has played a leading role in the coalition of free nations dedicated to the principles of international order to which our people have long subscribed." I emphasize the two points so briefly and effectively made. One is that the principles of international order to which he refers are those to which the people of the United States subscribe. In short, that foreign policy is the carrying out in the international field of policies and principles deriving from the public opinion of the country. The other point is that the United States has assumed, particularly since the end of the second World

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*An address by Mr. Smith before The Bond Club of New York.

Canada's Business and Financial Leaders Speak After Turn of the Year

In articles especially written for the "Chronicle," individuals eminently qualified to accurately interpret the course of Canada's economy in the instant year present their views. The commentaries discuss the probable trend of key factors, including course of the money market, capital and consumer expenditures, housing, new developments in the oil, gas and mining industries, and other aspects of the nation's business life. The statements appear herewith:

D. W. AMBRIDGE

President, Abitibi Power & Paper Company, Limited

The outlook for the year 1958 in the Canadian pulp and paper industry is reasonably good.


D. W. Ambridge

Few companies, if any, will use all their productive capacity, but it would seem that operations will be at a high enough level to avoid the need for any drastic readjustments.

The problem of labor costs remains to be solved and it is to be hoped that out and out battles such as the one presently in progress on the West Coast can be avoided by good common sense on the part of the Unions.

There seems no doubt that the Central Banks both here and in the United States are beating a retreat from their recent austerities and this will likely improve the economy in many areas by the second half of the year. Any such improvements will be promptly reflected in the pulp and paper industry.

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SALOMON J. HENNER

Securities Analyst

New York, N. Y.

Pacific Telephone and Telegraph Co. Common

The recent and increasingly frequent speculation about the possibility of a deepening economic recession in 1958 has made for a nervous and uncertain market in recent weeks. Even though the prices of former favorites in many volatile stock market groups (such as the metals, rails and airlines) are far below their 1956-57 highs, many of the stocks in these groups may not be suitable for conservative accounts. This is because the pressures of lower earnings and accumulating disillusionment may well force speculative stocks even below their present "bargain" levels.

At this time new investments, when made at all, should be made in securities not highly vulnerable to the effects of the present uncertainty. The security chosen should offer liberal yield and the promise of future growth. Although several stocks may meet these standards, it appears that the Pacific Telephone and Telegraph Co. common stock is an especially suitable investment for conservative accounts at its present price of 122⅜.

The Pacific Telephone and Telegraph Company is one of the member companies of the Bell System. It serves the fast-growing area comprising the states of California, Nevada, Oregon, Washington and northern Idaho. The American Telephone and Telegraph Co., the parent company of the Bell System, owns over 90% of the common stock of Pacific Telephone. This connection, together with financing and other assistance given by American Tel. to Pacific Tel., is a feature of special strength to Pacific Telephone. American Telephone depends in part upon dividend income from Pacific Telephone to pay its own famous $9.00 annual dividend.

Telephone companies such as Pacific Telephone derive stability of income from the great need people feel for their telephones. Telephone service is one of the last items cut from the family budget even in the face of severe cuts in family income. Many people rely so heavily upon the telephone in their daily lives that they would be severely handicapped without it; the experience of the 1949 recession did not show the cutback in telephones in service feared by those analysts who had previously thought of telephone service as a dispensable, luxury-type item.

During the past ten years, the revenues and income of Pacific Telephone have grown rapidly, more rapidly in fact than those of the parent American Telephone and Telegraph Co. This has been in keeping with the continuing above-average year-to-year rise in population and personal income in the states served by the company. Gross revenues rose from $282 million in 1947 to $791 million in 1956 and an estimated $865 million in 1957. Net income rose from $12.7 million in 1947 to $90.6 million in 1956 and an estimated $95 million in 1957. During the same decade per share earnings increased from $2.80 per common share in 1947 to $8.47 per common share in 1956. Net income per share for 1957 will probably be about $8.25.

The company's earnings in 1957 will exceed those of 1956, but per share earnings will dip slightly because of the issuance of additional stock in 1957. Whenever new stock has been issued the policy of the company has been to give valuable subscription rights to its stockholders. This practice is expected to continue as the company raises new money for future expansion and improvement in service.

The present management has shown itself to be very "efficiency-minded." Through the introduction of dial systems and other economy measures, the company was able to bring 13.8 cents of every revenue dollar down to net operating profit in 1956, compared to only 6.3 cents out of every dollar in 1947. The company's operations are now 95% dial-operated. The increasing use of automatic dialing systems makes Pacific Telephone less vulnerable to the pressure of increasingly higher wages for telephone operators and supervisors, hitherto a very important operating problem.

It is anticipated that the average population increase of the states served by the Pacific Telephone company should continue to be greater than that of the United States generally. The trend of migration continues westward; the birth rate of the West Coast remains high. Telephone company revenues and income should increase correspondingly. Added to the great inherent safety of an investment in a Bell System affiliate, this growth factor makes for a "plus value" which should give favorable investment results over the longer-term.

Pacific Telephone has paid a $7.00 dividend since 1950. It appears safe. The dividend provides a liberal yield of 5.7% on the stock at its recent price of 122⅜. This generous yield seems due rather to high interest rates than to poor operating results. The quoted price of 115 is down from a 1957 high of 132; it fell in sympathy with the prices of other utilities which were driven down so that their yields would be somewhat above rising yields on bonds. Following the lowering of the Federal Reserve rediscount rate in late November, this trend seems to have been arrested. Inasmuch as the Pacific Telephone and Telegraph Co. is in as strong a position now as earlier in the year, it is better to invest in it now at 122⅜ a share than it would have been to have invested in it at $132 a share earlier this year. The stock is listed on the N.Y.S.E.

This Week's Forum Participants and Their Selections

ALBERT G. WOGLOM

Clayton Securities Corporation, Boston, Mass.

Members: Midwest Stock Exchange

Atlas Press Company

I would like to turn the forum's spotlight on a "medium-small" company that offers the investment bargain hunter an attractive opportunity. Its present price of $7.75 is about one-half its net current assets; 40 percent of of its book value; and five times earnings. Its sales and earnings are currently in an uptrend; it is in beautiful financial condition; and its management is among the best in the business.

Albert G. Woglom

Atlas Press Company of Kalamazoo, Mich., manufactures a quality line of drill presses, lathes, shapers, saws, lawn sprinklers, etc., and is the United States distributor for the big English maker of precision metal-working power tools — Colchester. For the last few years Atlas' Power-King division also has made the higher priced reel-type lawn mower for Sears, Roebuck, but this operation was sold last July to Yardman for $1,100,000, in order to concentrate its efforts in the machinery field.

With this highly competitive, low-profit business out of the way, net income in the fiscal year ended June 30, 1957, increased to $1.52 per share from 73 cents in the previous fiscal year and, in the first quarter of the new year (ended Sept. 30) sales increased 35% while net earnings more than double those for the similar 1956 quarter. These figures are even more impressive when we consider that fixed asests are being depreciated at an annual rate of nearly 20%: $198,295 in 1956, and $199,141 in 1957—or almost $1.00 per share before taxes.

Atlas now has no bank loans, bonds, or preferred stock outstanding. Total liabilities consist of $732,730 in current liabilities; surplus of $4,116,152; and 206,626 shares of $1 par common stock. On the other side of the ledger is cash of $498,134; receivables of $1,188,829; and inventories of $2,-263,285; making total current assets of nearly $4,000,000. Fixed assets total $1,104,132. Thus, it will be seen that **net** current assets equal $15.57 per share, and book value is $21 per share.

For many years Atlas paid dividends of 60 cents. However, very small losses were incurred in fiscal 1954 and 1955, and, as a result, and because of the large amounts of capital that had been tied up seasonally in the lawn-mower business, dividends were suspended in 1955 and 1956. Payments were resumed this year with a 30 cent year-end dividend in August, and there is every reason now to expect an early return to regular quarterly payments. With the excellent start on this fiscal year's business, and income that has already been made, Atlas Press should make a fine addition to most investment portfolios.

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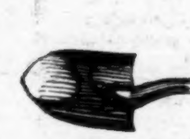

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Looking Ahead—1958 and Beyond

By JOHN F. SULLIVAN*
Partner, Merrill Lynch, Pierce, Fenner & Beane, N. Y. City

Mr. Sullivan holds it may take longer than — the popularly held figure of — six months for the economy to complete its readjustment preparatory to start of expected recovery and expects present relatively high plateau to continue with increased consumer spending leading the upturn. Foresees current trend of lower money rates and higher bond prices continuing over the period just ahead with no more than minor adjustments and without return to low rates of 1950's. Claims economic climate makes it feasible to lengthen Federal debt, and notes that a really long-term bond issue could remove considerable buoyancy from the market action of outstanding long-term Treasury issues. Reviews new financing scheduled for first quarter and status of non-refundable and non-callable provisions.

This year there seems to be a frightening unanimity of opinion from the experts. (Since I don't pretend to be an expert, I don't necessarily agree.) Nevertheless, they were pretty well right a year ago. Most of them said at that time that the boom would continue until mid-year and that the second half would be clouded by uncertainties. Currently they are simply reversing periods—the first half of 1958 to see the end of the decline with the economy turning definitely upward by the second half. I hope they are right. Personally I feel they are too optimistic. So let's take a look, first, a sort of summary and then discuss some of the more important segments in more detail.

John F. Sullivan

The Past Year

Over-all the year just ended was the most prosperous in history. Gross National Product—a total of all goods and services produced—was valued at about $435 billion, up $20 billion over the 1956 level. Personal income likewise set a new record, and more people were at work during the year than ever before. Industrial production averaged out at the same high level as in 1956, construction hit a new peak for the 11th year in a row, and retail sales reached a $200 billion mark for the first time.

And yet, so prosperous a year, 1957 was disappointing in several respects. For one thing, the gain in Gross National Product, in construction, and in retail sales, as expressed in dollar terms, were due largely or entirely to higher prices rather than to increased physical quantities. Manufacturers' backlogs of unfilled orders declined steadily throughout the year. Corporate profit margins continued to drop as costs increased faster than sales volume and business men reported plans to cut back new plant and equipment spending in the year ahead.

Moreover, in the latter part of the year evidence was accumulating that the economy had entered the declining phase of the business cycle. In November industrial production was eight points below its peak 11 months earlier; freight carloadings were 15% below November of 1956; 3.2 million persons were reported unemployed, a jump of 700,000 over the previous year, also over the same period retail sales and personal income both dipped downward as in September, October and November.

While most analysts had been expecting either a leveling off or a decline of moderate proportions, the current downturn seems to have started sooner and proceeded faster than many of them had anticipated. How much longer it will last and how deep it will go are questions of immediate concern.

One of the key sectors of the Gross National Product and an important determinant of the course of the economy, is Government spending. In 1957 total Government purchases of goods and services—Federal, State and local—accounted for $86 billion of the $435 billion Gross National Product, but the reduced rate in the fourth quarter, as the effects of the pre-Sputnik economy drive showed up, contributed in some measure to the darkening business picture.

It is now clear that defense costs are going to rise, not fall, and that national security expenditures in 1958 will be substantially higher than they were last year. There is little agreement as to the precise amount to be increased, but it is a fair assumption that defense outlays this year will exceed last year's by $2 billion. This assumption is, if anything, conservative. It is the expressed intention of the Administration to offset rising defense outlays by reduction in non-defense areas, where possible. Just how successful these attempts will be is open to question now because of the traditional reluctance of Congress to cut appropriations in an election year.

Plant-Equipment Spending

Probably the most negative aspect of this picture is the outlook for plant and equipment spending

Continued on page 44

*An address by Mr. Sullivan before the 10th National Credit Conference sponsored by Credit Policy Commission of American Bankers Association, Chicago, Ill., January 17, 1958.

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ARTICLES PERTAINING TO CANADA'S ECONOMY DURING 1958

CANADA'S BUSINESS AND FINANCIAL LEADERS SPEAK AFTER TURN OF THE YEAR

Starting on the cover page, we present the views of leading Canadian Government, Financial and Businessmen as to the probable course of Canada's economy during 1958. These articles, of course, were expressly written for the "Chronicle" and provide the reader with official, up-to-the-minute information regarding economic trends.

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Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
Thursday, January 30, 1958
Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings state and city news, etc.).
Other Offices: 135 South La Salle St. Chicago 3, Ill. (Telephone STate 2-0613).

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Warrants in Arrested Markets

By DR. IRA U. COBLEIGH

Enterprise Economist

Some field notes about certain warrants which, should the market rise, might prove highly leveraged vehicles for unique capital gain.

Actually, all market operations are encompassed within two major viewpoints: (1) the search for solid, sustained and possibly rising income and (2) the quest for capital gains. Now it is true that many individuals simply cannot compartmentalize their market objectives. If a solid equity is presented to them yielding, say, 7%, they are immediately attracted; and, almost in the same breath, if some enthralling speculation is whispered to them at 1½, which holds forth hope, however illusory or meager, of an advance to 3, they will, without reflection, go down the line for a thousand or two shares of this imputed speculative dreamboat. Now all this is not offered in indictment of the intelligence of the average well heeled stock buyer, but merely to plead for a sharper definition of objectives and more rigid adherence to same. Actually more people become market losers from misty purchase objectives, than by blind dedication to a given security (or securities) selected specifically either for income producing investment, or hope of sizable gain.

Ira U. Cobleigh

Now we clearly recognize that today's markets afford some really splendid values for the income minded: Such entries as Atlantic Coast Line, Philip Morris, Chesapeake & Ohio, Pullman Co., Public Service Electric and Gas, Parke Davis & Co., Jones & Loughlin Steel immediately come to mind. But income is not our beat today. We want to look at a quite unique method for maximizing capital gains; especially if this market heads (from D-J 450) toward 500 rather than 400.

And, not at all illogically, the speculative vehicle, selected to realize this exciting gain, is neither a common, a preferred nor a bond. It's a warrant, that curious hybrid of corporation finance which toils not, neither does it spin; it never pays interest nor declares a dividend and has no tangible equity in balance sheet assets or earning power. Yet, properly selected, and in the right sort of market, warrants can create the most remarkable capital gains, running on occasion from 200% to 2000% or more depending on the issues selected, the volatility thereof, the entry prices paid, and the timing.

Lest you conclude that warrants are a sure fire, gold-plated ticket to gaudy market profits, we must outline them in a little more detail. Essentially a warrant gives the holder the privilege of purchasing a share of stock (in a given company) at a fixed price and for a certain period of time. Refinements of this very special sort of security have resulted in some variations from this original concept. For instance, instead of an option to purchase at an unchanging price, the option may escalate. General Tire & Rubber warrants sell currently at $10. They give the holder the option to buy one share of General Tire & Rubber Co. common at $25 per share to 9/1/62 and then at $27.50 until 9/1/67. The total time for exercise of this warrant is thus nine and one-half years, and for the last five years of its life, the warrants privilege is $2.50 higher.

This General Tire warrant serves as well as any to illustrate the features, the potential, and the drawbacks to warrants. We said the warrant sells at $10; it gives you the right to buy stock at $25, and the stock sells at 28¼. What's so wonderful about this? Clearly the warrant is actually worth a mere $3 (the difference between $25, where you can buy the stock, and 28¼, where it sells). Why, therefore, you ask, should anyone in his (or her) right mind pay a $7 premium for such a purchase privilege? Why not buy the stock at 28¼ if General Tire is so worthy an equity? The answer is a mixture of logic, mathematics, psychology and the time element. For if you were to buy 100 shares of General Tire, it would cost $2,825 (excluding brokerage). One hundred warrants would cost but $1,000. Now let's assume a soaring market in which GT sells at $60 per share. How does our comparison work out then? Well, $2,825 moves up to $6,000, while our $1,000 investment in the warrants becomes theoretically $4,500 (original price + the difference between $25 and $60 per share or $35). In the first case, the capital gain is 105%; in the second case, 350%. In the first case, you laid out $2,825 to make $2,975, while in the second case you laid out $1,000 to make $3,500 in the very same stock and during an identical period of time.

From this quite representative example, you will perceive that the warrant (1) requires less capital outlay, (2) maximizes the velocity and magnitude of capital gain, and (3) always sells for more than it's really worth, primarily because a call or warrant has a built-in factor of over-spin due to optimism. If, for example, the common of General Tire were to sell at $100, the leverage of the warrant would be even more remarkable. Equally it should be borne in mind that if the stock sold at $20 nine years (or less) from now, the warrant would be worthless!

Which introduces another major element in the consideration of warrants. Buy them for as long a time call as you can! There's enough risk in these warrants without having time run out on you, and destroying your grubstake. As a matter of fact, there are quite a few "perpetual" warrants: Allegheny Corp., providing the right to buy one share of Allegheny common at $3.75 forever; Tri-Continental Corp. warrants, whereby you may purchase 1.27 common shares of T-C at $17.76 forever; and Atlas Corp. warrants, privileging you to purchase one share of Atlas at $6.25 without time limit. All of these warrants are actively traded on American Stock Exchange and you can compare them with their related commons on any regular trading day.

While the "perpetual" warrants have the advantage of never running out (and, in practice, are almost never exercised), there are a number of middle-term warrants of dynamic companies which you may want to keep your eye on. For example, Kerr McGee Oil Industries common sells at 44. If you are excited about the long-term prospects of this equity, you should certainly consider the warrant which gives you the right to buy KMG common at $80 from 4/1/58 to 6/30/64. Eighty dollars may seem a long way off today, but six years from now the privilege of purchasing then might be golden. This warrant sells today around $9.

There are really quite a few industries to choose from if you want to give hostages to fortune via warrants. Sheraton Corp. is a lively hotel chain. Its common sells (N. Y. S. E.) at 11¼. Yet you may purchase for $2.25 the warrant enabling you to buy 1.2 shares of this very same common at any time from now to Sept. 1, 1966 at the rate of $20.83 a share.

Sperry Rand is a big name in office equipment and electronics. It's an important factor in avionics and guided missiles. The common sells (N. Y. S. E.) around 19, yet you can buy the warrant at 4¾. This lets you buy one share of common at $25 to 9/15/63 and at $28 till 9/15/67. It doesn't take too much imagination to see Sperry at $50 a share within nine years; yet such a market price could rocket the warrant from $4.75 to between $30 and $40!

The big name in heavy duty trucks is Mack. Mack common sells at 24⅞. Yet for $9 you may buy a Mack warrant to purchase 1⅓ shares of this common at $30 to 8/31/59, at $32.33 to 8/31/63 and at $37.59 from then till 9/1/66.

There are dozens of warrant issues ranging all the way from promotional Canadian coppers to major investment trusts such as Tri-Continental. Particularly if the market were to sell off, you'd be quite certain to find a long-run bargain among these, and the ones we've outlined. Just bear a few things in mind: (1) Warrants should seldom be bought for more than one-third of the price of the related common; (2) Buy as long a term call as you can get; (3) Watch for expiration date (if any) lest you be summarily wiped out; and (4) Remember warrants are the most volatile of marketable securities. By the same token that you may glean a fortune in them, you may also lose your shirt!

Joins Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Harold A. Blue has been added to the staff of Harris, Upham & Co., 8960 Wilshire Boulevard.

John H. Kasbeer With A. C. Allyn & Company

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — John Kasbeer has become associated with A. C. Allyn and Company Incorporated, 122 South La Salle Street. In the past Mr. Kasbeer was Chicago wholesale representative for The Wellington Company and was with Graham, Parsons & Co. and Kidder, Peabody & Co.

F. F. Bunts Opens

FT. COLLINS, Colo.—Frank F. Bunts is engaging in a securities business from offices at 207 West Prospect.

Columbian Fin. Devel.

Columbian Financial Development Co., Inc. has been formed with offices at 350 Fifth Avenue, New York City, to engage in a securities business. Officers are Merle Thorpe, Jr., Chairman of the Board; Newton I. Steers, Jr., President; Herman B. Dranoff, Vice-President and Secretary; and Stephen Hartwell, Treasurer. All are officers of Atomic Development Securities Co., except Mr. Dranoff who was formerly with North American Planning Corporation.

A. C. Costello Opens

BRENTWOOD, Mo.—Arthur C. Costello is engaging in a securities business from offices at 2929 Brentwood Boulevard. He was formerly with Stix & Co.

F. M. Gossett Opens

HIGHLANDS, Tex. — Frank M. Gossett is engaging in a securities business from offices at 114 North Main under the firm name of Frank M. Gossett & Co.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Trade and industry reports on output and sales continued the past week to reflect depressed state of businss in general. The steel and automotive industries are examples of the present business trend, coupled with current business and governmental reports showing the downward course of employment for the nation as a whole.

Despite this unfavorable picture if the immediate prospects for an upturn, a feeling does prevail in many quarters, of optimism and confidence that by the middle of the year economic conditions will change for the better.

Many base this assumption on the fact that manufacturers have set about to reduce their inventories and when this process is completed, defense orders will take up the slack and result in a general improvement in business. With an easier credit situation, funds available for highway construction, housing, building of schools and hospitals and the like are expected to aid in promoting a more stable economy.

Taking the above factors into consideration, the consumer must not be overlooked in evaluating the future prospects for business and much will depend upon his reaction to economic trends thus far and their effects on the future course of business.

In the steel industry this week steel inventory cutbacks by metalworking companies may be leveling off, "The Iron Age," national metalworking weekly reported on Wednesday last.

A survey by this trade paper indicates that steel stocks of many firms have dipped to dangerously low levels and some steel users are trying to hold inventories on an even keel during the first quarter. A growing minority of companies plan to buy more steel in the second quarter than in the current three-month period.

The metalworking magazine adds, however, that important companies in the automotive, steel warehouse, farm equipment, construction equipment, materials handling and transport equipment industries still plan to whittle down their in-plant steel stocks through first quarter.

Steel buyers are cautious about second quarter commitments, but there are rays of hope. About 54% of a random sample of United States industry expect to order as much steel from mill and warehouse in the second quarter as they will in first. Another 36% will boost their buying. Less than 10% say they will continue their inventory cuts during second quarter.

"The Iron Age" adds that some second quarter buying forecasts are surprisingly good. A manufacturer of heavy equipment will double his first quarter steel intake. Another major producer of heavy machinery will boost his steel buying by 10% in the second quarter, while a stainless steel fabricator will double his second quarter intake over the first quarter.

Steel buyers are making no bones about their low inventory position and lean heavily on fast mill delivery and frequent trips to warehouses to keep from running short. They are gambling on a slow, steady pickup in the economy rather than an overnight reversal.

"The Iron Age" states that steel users indicate they do not plan to stock up on inventory as a hedge against a price boost in steel.

New claims for unemployment compensation dropped sharply by 86,400 in the week ended Jan. 18, the United States Department of Labor reported.

The trend since late Fall has been up, except for a slight decline in the first week of January. This new drop exceeded the decline of 80,900 in the week of Jan. 15, 1955, which the department said had been the biggest decrease in years.

The total of new claims, however, was still considered high at 523,000. The record for 1957 was reached in the last week of December at 550,995.

Officials noted that the current decline could be attributed to fewer seasonal cutbacks in trade, apparel and construction industries. Some also was attributed to the fact that the week was the second of the new quarter and claims are always higher in the first week of a quarter. All states except Louisiana and Michigan reported fewer new claims.

Total insured unemployed for the week ended Jan. 11, was 2,863,800, the agency reported up by 54,500 from the week before. The comparable year-ago figure was 1,725,000.

Turning to the automotive industry, "Ward's Automotive Reports" stated on Friday last that January passenger car production in the United States will fall 20% below the same month a year ago, marking the start of a trend expected to carry through the first quarter of 1958.

It declared that 500,000 cars will be manufactured this month, the lowest January total since 1954 when 456,765 units were turned out. Opening-month volume the past three years was 642,090 in 1957; 612,078 in 1956 and 659,508 in 1955.

A forecast that "operations will continue at their present pace of about 80% of 1957 volume—at least through March" was made by "Ward's." Thus indicated is production of less than 1,500,000 automobiles during the first three months of 1958 compared to 1,792,015 in January-March, 1957.

Truck production this month will reach 80,000 units, "Ward's" pointed out, or 15% fewer than January, 1957 which produced 94,138.

Programs the past week called for 111,582 cars and 17,866 trucks compared to 109,761 and 18,627 in the preceding week. In the corresponding week a year ago, totals were 145,191 and 23,138.

Several companies pared schedules last week, "Ward's" said. Failing to work five days were Buick's Flint plant, Pontiac's

Continued on page 52

Including Common Stocks in Open Market Operations

By DR. ROBERT G. WERTHEIMER*
Professor of Economics at Babson Institute of Business Administration and at Northeastern University

Dr. Wertheimer would add to our battery of economic weapons the inclusion of common stocks in Federal Reserve open market operations. The economist, in furnishing precedents to support his proposal, claims open market operations now confined to bonds is analogous to Federal farm support program. Contends proposed stock buying and selling program would assist the country's growth, stabilize the economy, and "become the most important step to prevent depression once and for all" without imposing taxes or government control. Author, also, reviews condition of stocks and bonds, money market, and state of the economy.

My subject deals with the money market, the price of monetary instruments such as bonds and stocks and the outlook. Naturally, the purchasing power of the dollar serves as a thermometer measuring economic trends, telling us whether the economy is sound or runs a fever. Presently, we assume to suffer from inflation fever and continue to apply a moderate kind of tight money policy to stop it. Where our present inflation is concerned, it neither is caused by public deficit spending nor by a breakdown in our ability to produce. We suffer from a moderate degree of income and credit inflation. A large personal income is fed by rising wages, other income, capital earning and consumer credit. To this must be added large amounts of business spending for investment financed by business saving, the sale of equity and issuance of bonds and bank borrowing. Both personal and business expenditures create a steadily expanding demand for goods and labor and push prices up.

R. G. Wertheimer

It has been said that the rise in wage rates is particularly powerful in sustaining an inflationary wage-cost-price spiral. This is true as long as hourly wage increases outrun gains in productivity. Over the last decade, this gap amounted to 3% annually. While hourly earnings in industry advanced by 5.5% annually, productivity gained only 2.6% per year. However, industrial wages amount to only a fraction of total personal income which contains earnings of all other employees and labor, non-corporate and professional income, pensions, old age and other aid and all other benefits. For this reason, consumer price increases should predominantly be laid to the doorstep of the high level of general consumer, business and government spending.

Tight money, above all, attempts to reduce business spending on investment in the hope that a reduction in this portion of effective demand will stop rising prices. The Federal Reserve, among all other available tools to make money tight, has emphasized the discount rate in recent years. In making the cost of borrowing more expensive, it is being assumed that marginal borrowers in the market for financing of less profitable investment projects, will be eliminated. The Federal Reserve, of course, could put a quasi-stop on further growth of private debt simply by elimination of excess reserves through Open Market selling or an increase in Reserve Requirements. Selective controls, moreover could stop any expansion of consumer or mortgage debt. If inflation were really threatening, these seem to be superior ways to stop an excessive expansion of consumption and investment than the manipulation of the interest rate.

If it is assumed, as I doubt, that the rise in industrial wages has been chiefly responsible for the type of our inflation, then an increase in the discount rate does not really come to grips with the problem which is: how to bring wage increases in line with increases in productivity. Only better technology and the best management could make productivity catch up with rising wages cost. A mere increase in the cost of money in order to prevent its use for better technology and management seems futile and ill advised.

Changes Future Economy

In the over-all picture of the economy, a comparison of changes in some basic factors since 1947 will quickly disclose whether or not the economy is beset with tensions and what is out of line, whether wages, or prices; or the money supply, or the stock market or what else. To compare only a few but significant data, the following increases took place during the last decade:

	% Increase
Population and civilian employment up	15
Industrial output	44
Rate of total gross private investment spending	116
Gross national product and wages income	78
Consumer spending	60
Personal saving (as time deposits)	46
Rate of business saving	50
Rate of dividend payments	84
Productivity in industry	30
Price level in retail and money supply in the form of currency and demand deposits	20
Total government tax collections	88

Increase in long-term corporate saving at present rate;

Increase in total individual debt equal to six years of individual gross liquid insurance saving.

On this basis, an over-all expansion of about 50% took place in the last decade. On the other hand, prices of common stocks based on the U. S. Securities and Exchange Commission index or the Dow-Jones average for industrials, advanced by 130—140% while the prices of bonds moderately declined.

This analysis seems to indicate that prices of stocks are rather out of line with general economic growth while bond prices appear to correspond to the rise in the interest rate and the 20% price

Continued on page 46

*An address by Prof. Wertheimer before the Boston Junior Chamber of Commerce.

Observations . . .

By A. WILFRED MAY

THE LONG-TERM BOND RECORD—
With Implications for Stock Investing

Significant implications regarding the investor's comparative policy toward common stocks and bonds are contained in a recently issued report of a research study by W. Braddock Hickman of the National Bureau of Economic Research. This report entitled *Corporate Bonds: Quality and Investment Performance*, is a preview summary of a more comprehensive volume to be published this spring, giving the findings of Dr. Hickman's study of straight corporate bonds offered between 1900 and 1943.

A. Wilfred May

The study contains detailed information on new offerings, market experience, default records, and quality characteristics of 21,000 corporate bonds during this 44-year period. They include fixed-income, single-maturity bonds issued by domestic business corporations and held by the investing public. During the long period covered by the study, including two major wars, a severe depression, and periods of recovery and inflation, everything conceivable happened that can affect bond values and bond financing. The National Bureau's report is commented on in an analysis currently issued by the Committee on Investments of the Savings and Mortgage Division of the American Bankers Association.

During the 43-year period there were $71.5 billion par amount of regular bonds of domestic corporations offered to and acquired by, the investing public. Of this amount 13% were paid in full at maturity; 40% were called; 19% defaulted; and 28% were still in good standing on Jan. 1, 1944. This very high proportion of issues where the bond contracts were terminated by the corporate borrowers through exercise of their call privilege, equaling the total of the issues both paid and in good standing, underlines the injury to the holder, via foisting a reduced return, that was inflicted by such unilateral mid-way termination.

In studying the comparative performance of a high-grade versus low-grade portfolio; it develops that while the low-grade of course has the attraction of promised liberal yield, there is the offsetting penalty that substantial default and loss rates occur, along with price instability.

Short-Term Forecasting Difficulties

While high-grade and low-grade bonds alike enjoyed freedom from capital loss during the *overall* 44-year period, there were many shorter intervals of ups and downs within that period when serious losses did occur, affecting particularly the lower grade issues. The study, significantly pointing to the involvement of business factors, finds that "frequency of default in intermediate as well as in longer periods is closely associated with the general condition of business at any given time . . . there was no one industry completely free from the dangers of default."

In the record on agency ratings of corporate bonds are the short-term forecasting difficulties also manifested. For the study shows that the errors which thus occurred were due primarily to the ups and downs in the business cycle and to the difficulties encountered in forecasting industry trends.

An independent study made by this writer* of the portfolios of all New York State banks liquidated during the 1929-'32 depression showed an average shrinkage of 37% below cost on their bondholdings (assets to which they gave the status of secondary reserves).

Because of the persistently wide price fluctuations, the study holds that the only way to make out successfully in the long run in lower grade issues is to invest in them when they are low in price, and sell them when they are high. Thus, as with the majority of common stock buyers, the nostrum of *timing* is turned to as the tempting way out.

Over the years there is shown to have been close correlation between the number of times fixed charges were earned and the absence of subsequent default.

Digging-In With Amortization

So again, as with realistic stock buying policy, the technique of long-pull digging-in with amortization of the above money use yield is validated.

The injurious factor of monetary depreciation on the course of the real value of the bondholder's stake, though also relevant and important, lies outside the scope of these findings. The findings themselves scientifically substantiate the important conclusion that bonds as well as stocks should be bought and held under the technique of amortizing extra-yield over the long-term, and without recourse to attempts at timing the course of market price fluctuatons. Thus the way is indicated to good investing practice in both areas.

More specifically, the report cites as a basic principle of bondholding the use of amortization to implement undisturbed long-term holding. It shows that the promised return on bonds as evidenced by yield at the time of offering is the sum of two basic elements, (1) Pure interest for the use of the money, and (2) Amortization in the form of an extra sum calculated as an annual deduction to compensate for risk, and for the defaults as they actually occur. The record shows that non-secured issues defaulted less frequently than did those issues where investors had a lien on assets through mortgage or otherwise; that there has been close correlation between the number of times fixed charges were earned and the absence of subsequent default; with amortization out of the annual earnings constituting the crucial safety device. The room for such amortization is confirmed in the findings that over the 43-year span the weighted average on the realized yields on total offerings worked out at 5.6%. Thus, as with realistic stock-buying policy, the bondholder's technique of long pull digging-in with amortization of the yield in excess of the money's rental value, is validated

*cf. The Banking Situation, Willis and Chapman, Columbia, 1934, ch. XXIII.

Stocks' Great Long-Term Performance

With common stocks, long-term holding has paid off even better. The Cowles Commission study of all listed industrial common stocks from 1871 through 1937 averaged almost 9% per year in combined yield and growth in market value; with this rate rising to 15% per year from 1938 to last July. Thus, over the past 85 years industrial common stocks have returned an average yield of 10% per year (the element of monetary depreciation having borne only partial responsibility for this disparity with bonds).

* * *

Thus, we have a scientific study additionally substantiating the principle that bonds as well as stocks should be bought and held under the technique of amortizing extra yield over the long-term; without recourse to attempts at timing the course of intermediate market fluctuations. A contribution toward furthering better investing practice in both areas!

With Walston & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William C. Kurylak is now with Walston & Co., Inc., 201 South La Salle Street.

F. S. Moseley Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Thomas J. Brewer has been added to the staff of F. S. Moseley & Co., 50 Congress Street.

Dean Witter Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Wayne F. Bartlett and William Hagerty have been added to the staff of Dean Witter & Co., 632 South Spring Street.

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Private Liberal Mortgage Lending Is Sound and Inherently Safe

By GEORGE C. JOHNSON*
President, The Dime Savings Bank of Brooklyn

Declaring government backing of housing loans does not make them safe and citing his bank's experience, Brooklyn savings banker contends long-term home mortgages of 90% without government backing "are safe and desirable." Mr. Johnson stresses sound contributions to the economy mortgage lending, makes and asks that they be made on a liberal basis; i. e., the longest possible term and lowest possible initial equity. Praises self-amortizing mortgages and does not advocate Federal housing agencies go out of business since certain areas and lenders need them.

From the standpoint of home builders, and the people who buy homes, I believe my theories are basic to the entire field of mortgage operations today.

George C. Johnson

I am a banker who firmly believes that home mortgages with low down payments and long terms of maturity are safe and desirable from a lender's standpoint, and are necessary from the standpoint of builders and home buyers.

I am also convinced that a 90% loan, with a 30 year term on a *conventional* basis is sound and inherently safe.

I believe sincerely that home mortgage lenders should not have to rely on government insurance or guarantees of loans which they themselves are capable of making without such guarantees.

The Federal housing agencies have pointed the way, and I think the time has now arrived for lenders to stand on their own feet.

Proposed New York Law

In this connection, the New York State Legislature, now in session, is scheduled to act upon a bill which would permit lenders to make 90% loans *without* insurance.

If that bill becomes law, it will mark a long step forward, and might well serve as a pattern for other states which restrict lending to smaller loan ratios. Needless to say, the bill provides all necessary safeguards.

The proposal by Housing Administrator Albert M. Cole for insuring only the top 20% of mortgages also has many sound features and could provide a very good vehicle for this type of lending.

But none of the proposed liberalizations would be very effective if they are shackled by restrictions on the interest rate.

Banks, insurance companies, savings and loan associations, and other prime lenders usually have sufficient funds to care for the mortgage needs of the nation. These funds, however, belong to their customers, and it is the lenders' duty to obtain interest rates comparable with what can be had from other investments.

For these funds to flow freely into mortgages, it is essential that all mortgage interest rates be allowed to find their own level. Artificial restraint, such as placed by Congress on FHA and VA rates, or discounts, only retard the flow of mortgage money.

Vital to Economy

Liberal mortgage lending policies on the part of the nation's financial institutions are vital to a healthy and expanding economy.

*An address by Mr. Johnson before the 14th annual Convention-Exposition, National Association of Home Builders, Chicago, Ill., Jan. 22, 1958.

In fact, such policies are essential if this country is to maintain and increase its prosperity, because it is only by broadening the base of home ownership that increasing numbers of American families can make their contributions which are so necessary to a prosperous national economy.

I contend that mortgage lending should be placed upon and kept upon a most liberal basis — the longest possible term of mortgage maturity, and lowest possible initial equity.

By liberal lending policies, I do not mean that financial institutions should throw all discretion out the window.

Every mortgage loan must be sound. Nevertheless, liberality can be combined with good appraising and credit processing.

Mortgage lending should not be regarded merely as an investment. It is a business, which, when carried on by experienced, skillful organizations, can be very profitable to them, their customers, and the economy as a whole.

During the last two decades there has been great improvement in the skill and technique of mortgage lenders. This business is now largely in the hands of organizations skilled in appraising, credit processing, lending and servicing. The FHA and VA have created acceptance of sound standards and have demonstrated the value of the budget-type mortgage.

I have studied the various graphs and charts which seem to indicate danger points during the early years of long-term, high-ratio mortgages. However, these charts are theoretical. I would rather rely on the actual records of performance of American home-buyers.

What Constitutes Soundness?

In spite of what some people say from time to time, the true test of the soundness of a mortgage loan is *not* the amount of the down payment, nor the length of term.

Instead, soundness is determined by the skill and ability of the lender to make a proper appraisal of the property and the credit of the borrower.

In proof of this, I can best point to the experience of The Dime Savings Bank of Brooklyn, which originates and holds more home mortgages than any other savings bank in the world.

Since the beginning of the FHA program in 1934 and the VA program in 1944, The Dime of Brooklyn has made a total of 61,158 such government-backed loans with a total face amount of $636,761,923.

In all those years, the bank has found it necessary to take over only 259 of these properties out of the total of 61,158. That is only 42/100ths of 1%. I am sure you will agree that is a most impressive figure.

Our bank has made thousands of loans to veterans without the borrower establishing *any* initial equity. We have made thousands more with as little as 2% equity.

In fact, The Dime Savings Bank of Brooklyn *likes* the long-term, small down payment mortgage, because that is the kind of financing which helps young families and families of moderate means to start on the road toward home ownership.

Of course, any family should pay down as much as it can and pay off the mortgage as fast as possible so as to save on the total interest paid during the life of the mortgage.

However, we advocate buying a home as early as possible. Children do not wait to grow up until everything is convenient. If families are forced to wait until they have accumulated large sums for down payments, very few would have the homes they want and need for their children.

My 40 years experience with many thousands of home owners prove conclusively to me that once a family is given an opportunity to own its own home, that family will consistently meet its obligations.

This is why I said at the beginning of this paper that I am convinced that a 90% loan on a conventional basis is sound and inherently safe, and that even higher ratio loans have proven safe.

Virtually every home purchaser is honest and sincere. He has an overwhelming desire to buy an adequate home for his family, and to provide this home when the family is young and needs it most. That buyer's one purpose is to own his home—*not* to defraud the mortgage lender.

Self-Amortizing Mortgage

I should not need to explain what a boon to the home building industry the self-amortizing mortgage has been, since it was perfected by the FHA and established throughout the nation. But you might be interested to know how I, as a banker, look upon this type of mortgage.

Most simply stated, it is the greatest help ever devised for both the mortgage lender and the home-buying family.

It might interest you to know that my bank developed and was using the long-term, self-amortizing mortgage several years before the FHA program started.

We had seen too many families get into trouble with the old-style, short-term mortgage which had no provision for amortization.

Furthermore, despite the low ratio of loan to value, the old-fashioned mortgage *was not as safe* as the modern, high ratio loan.

This is why:

These old-style mortgages were usually made for 60 to 65% of appraised value of the property, ran for three to five years, and the debt all became due at the end of that short term.

The low starting ratio did not make those mortgages inherently safe. On the contrary, their defects caused many losses.

Interest usually was payable only at six-month intervals. Mortgage lenders made an annual tax search after the tax collector had had time to make entries in his books. As a result, it was often found that a whole year's taxes were unpaid, and probably another half-year's taxes were about due.

Human nature being what it is, it was quite a temptation for many home owners to fail to put aside money for taxes and interest. Then suddenly they would be faced wtih the necessity of paying a whole six months' interest at one time, or an entire year's taxes, and sometimes both. This caused many difficulties.

On top of that, the entire mortgage became due at the end of the third or fifth year. The best that happened, as a rule, was extension of the mortgage, with a fee usually required for the extension.

Frequently, there was a second mortgage as well. This may have called for some installments to be

Continued on page 59

1958: The Year of Opportunity

By JOHN H. ROWE
Resident Manager, Blair & Co., Inc., Tulsa, Okla.

Resident Manager Rowe quickly sketches characteristics of business cycle phases; expects inflation should displace deflation by mid-1958; and concludes 1958 is year of opportunity.

The economy of abundance has arrived! There is plenty of oil, steel, food, lumber, automobiles and ciagrettes, including Kents. The plant improvement and expansion boom of 1955-57 now accents the squeeze on profits. Competition is intense and ruthless. Deflation has temporarily displaced inflation. The abundance of raw materials, finished goods and man-power has temporarily outdistanced the available supply of credit. Uncle Sam is pressing a $275 billion statutory debt ceiling His cash position is critical! Consumer credit has soared to record heights. Measured by available reserves, our commercial banking system is near capacity in the loan department.

Under our traditional profit and loss system, deflationary periods are necessary and essential. Credit tightens. Money is dear. Carried to extremes, deflation can paralyze the economic body because enterprise and expansion is discouraged. During 1958 evidence should support the premise that another thrust at inflation is near. Deflation is political anathema!

Just as inflation is a general price movement upward — deflation is a general price movement downward. Since the beneficiaries of deflation are pensioners, salaried workers and sharp speculators, there is now rejoicing in some quarters. Owners of fixed and guaranteed incomes (bonds, mortgages, annuities, savings accounts and preferred stocks) see their buying power and bargaining position improve. They have foregone the exhilarating or exasperating price swings and profit potentials associated with equity securities.

This recent inflationary outburst can be attributed in part to the revised Revenue Code of 1954. It gave management the incentive to spend upwards of $30 billion annually for needed plant decentralization and modernization. Enactment of the Atomic Energy Act of 1954 was a major milestone. It put the government and private industry into the broad field of nuclear physics. Peaceful adaptation of nuclear fission for fuel, heat and electricity was commenced on a major scale. Of considerable moment was the far sighted and astute monetary management of our Federal Reserve System. It helped set the stage for our greatest boom. It set the stage for this shakedown or adjustment period.

Dollar's Purchasing Power

We know a dollar is anything our money managers determine. Last October, one of America's leading financial authorities made this point. It was asserted that the person who put money into a savings account or in government E bonds in September 1939 (start of World War II) incurred an actual loss of principal of about 32% in terms of our changed price level during the intervening years. This seems plausible. Yet the concealed loss or gain in dollar purchasing power can vary from year to year. So far the pinch isn't too bad. Due to technological advances does not the fence-jumping dollar buy now better automobiles, refrigerators or cheaper entertainment via television than in 1939? A truly faultless investment hasn't been conceived. For the uninformed and uninitiated the attainable maximum in security is still the government bond or savings account.

Remember Loew's? Back in 1939 here was a "blue chip" darling of the Dow-Jones Averages. Its name was rightfully linked to speculative favorites like General Electric, Eastman Kodak, U. S. Steel and Standard Oil of New Jersey. Now look at Loew's! For the first time since 1923 it is without a dividend. The principal loss—depending on the price paid —ranges downward from 78 to 70%. The 100-share purchase that cost $5,450 brings $1,200. The 1939 price range for Loew's was 54½-30½.

When the Republicans captured the White House in 1952, Chrysler hovered around 98. General Motors was 62. Statistical data favored Chrysler because here was a concern with only 8,707,000 shares. There was then no debt. Board room gossip pointed to General Motors with over 88,000,000 shares —10 times more capital stock than Chrysler — preferred shares too. You know the story. Chrysler is still under 100. Meanwhile, General Motors soared to 145 and a 3 for 1 split followed. Chrysler still has 8,725,000 shares. The debt-free Chrysler of 1952 now owes $250,000,000. Their "Forward Look" automobile is either too long or too wide for the conventional garage.

Because common stocks denote ownership they can guarantee nothing. Under our profit and loss system today's "blue chip" can be involved in tomorrow's receivership. Conversely, today's radical speculation can be tomorrow's "blue chip." In this rapidly changing world the line of demarcation between investment and speculation is fast disappearing. The difference—if there is a difference—is in the degree of risk. For those able to assume the frustrations, patience and applied study concerned with multiplying dollar wealth through speculation in common stocks there is now no medium more alluring—temporary difficulties notwithstanding. With 1958 an election year, who dares espouse a continuance of deflation? We can earnestly hope that some authoritative voice will rightfully claim that to open-end our Federal debt without supporting taxes is the primrose path to ruined credit, disordered finance and prostrate commerce. How many Americans know our debt figure? Do others care what it is or what it means to them as individuals? Are new taxes, a balanced budget or reduced Federal spending a road to victory in a political year? We will be told that our present $275 billion statutory debt ceiling is now a wholly unrealistic figure. It will be related to our annual national income. This figure now exceeds $300 billion. Who suffers from deflation? Certainly the government because of falling tax receipts. What about the businessman? Does he welcome falling stock prices and reduced profits? How about the wage earner? As unemployment mounts, will not the advertised figures cause apprehension, caution and finally fear in the ranks of those still employed? Won't the employed worker eliminate nonessential spending? We have painfully learned that deflation can feed on itself.

Inflation's Return

Sometime after mid-year inflation should displace deflation. New billions for domestic and foreign welfare will be requested. Where is the politician who will espouse economy? Does the farmer want his $5 billion farm budget cut? Is the publishing industry willing to forsake its mail subsidy to help the post office attain a break-even point? Is the mining lobby disbanded because government stockpiling of aluminum,

copper, lead, zinc, uranium and other strategic metals is reduced or suspended? Are the 48 states and island possessions ready to relinquish the billions of matching Federal funds earmarked for new schools, expressways and other public works? Can the debt-ridden railroads be saved for defense without Federal aid? Like the railroads, the airlines are having a frightening struggle to make ends meet. Yet they must now match Soviet Russia and move into the nuclear age. Who provides the funds for jet planes and improved airports? If we aspire to contain Soviet Russia in its march toward world domination, do we dare reduce our defense or foreign aid budget? Isn't it more likely that politicians and pressure groups will be clamoring for new billions to match Soviet strides in advanced chemistry which emphasizes satellites, missiles and nuclear fuels? As one distinguished political leader puts it, "What program is it that can be cut back? Is it education, slum clearance, health, social security?"

During much of 1958 storm clouds and general confusion could obscure our rosy future. Just as inflation can exaggerate managerial abilities, deflation spotlights managerial deficiencies. The boys are separated from the men! There will be mercurial stock market gyrations as the public commission houses liquidate over-extended and stale accounts. From the same old sources will come the extravagant promises, the idle rumors. There will be forced mergers and bankruptcies. Yet the same bargain opportunities could persist in 1958 as in 1953-54 when that widely advertised Republican depression was reported ready to capsize our great enterprise system. Despite temporary dislocations there is now a solid basis for optimism. Our industrial frontiers are endless when related to the worldwide population explosion combined with the practical research in those new fields of electronics and nuclear energy. As the dominant world power, our course is set! The road ahead will provide plenty of exhilaration, challenge and promise. This is the year of opportunity!

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(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif.—Virgil Breen has become affiliated with Frank Knowlton & Co., Bank of America Building. He was formerly with Shaw, Hooker & Co.

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From Washington Ahead of the News

By CARLISLE BARGERON

The Republicans have been holding a lot of $100 a plate dinners and while they have been quite successful in selling the tickets there was not much enthusiasm, at least at the Washington dinner. This could have been because there were no real headliners present, the President and Vice-President both being away at Chicago and New York respectively.

Carlisle Bargeron

Just what is going on out in the country I am not prepared to say but in Washington the Republican morale is at a low ebb. It is easy to get a Republican to agree that the party will lose at least 20 seats in the House in the next election and several Senators.

Some of this the Republicans, if they were a different breed, could correct. There is, for example, the question of Secretary of Agriculture Benson. The Republicans would do much better to stick with him than, as a lot of them are doing, joining in the chorus that he resign. If he were to resign tomorrow the Republicans would not pick up a single vote. Having gotten one scalp, the Democrats would go after his successor with the same fervor. Furthermore, for him to be forced out of the cabinet would be an admission on the part of the Administration that it had been wrong. If the Republicans who are wringing their hands and saying that Benson is going to carry them down to defeat were to use half of their energy in defending his policies, they would be much better off.

There is really something amazing about the position Benson is in. He is carrying out a program which has the full endorsement of the American Farm Bureau Federation, the largest by far of the farm organizations. Furthermore, the program is mostly supported by the National Grange, the next largest organization, but which is largely a fraternal and insurance organization.

Opposing is the relatively small but militant National Farmers' Union, an out and out New Deal organization in which "Baldy" Brannan, Secretary of Agriculture in Truman's cabinet, is a leading figure. It is mostly active in the Middle West where it has come to own large grainеries and thereby is quite prosperous. Not to suggest that its top leadership is communist in the slightest, it does have a communist infiltration.

This organization, through the money it makes out of its graineries, to which the farmers in several communities are completely beholdened for the storage and disposition of their products, spends millions of dollars a year fighting Benson and the Administration. The Administration, instead of fighting back, turns a deaf ear. Benson's personal inclination has been to counterattack but his advisors insist that he do nothing. The facts are that even if Benson were to adopt the Farmers' Union program in toto they would still dig up issues against him because they are that kind of an organization.

Well, you would say the Farm Bureau which supports Benson's policies wholeheartedly—and there is a question whether the policies didn't originate with the Bureau — is a much bigger organization and can certainly offset the Farmers' Union attack. It could if it would.

But although, in the Roosevelt Administration, the bureau was in New Deal politics up to its neck, it has come in recent years to be nonpartisan and out of politics. Therefore, it does nothing except to tell about the resolutions passed at its national convention, to tell about its program, without any serious advocacy of either, and never saying a good word for Benson who is trying to carry out its program.

Republican candidates have ceased to look to the Farm Bureau for support. Indeed, the bureau never endorses any of them. It just goes along on its high principles. It may be that is the reason it is the biggest organization of them all but, insofar as national farm policy is concerned, it has ceased to have any influence whatsoever. A lot of Republican politicians, on the other hand, looking for aggressive support have tied in with the Farmers' Union, and thereby become bitter critics of Benson. Insofar as the country as a whole is concerned, it would not be a loss if they went down to defeat.

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Atomic Energy—Review—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Atomic Letter (No. 33)—Discussing seven additional companies in missiles and rocket field whose shares are held by the Fund and citing a study of world supply and demand for uranium for power and propulsion purposes—Atomic Development Securities Co., Inc., 1033 Thirtieth Street, N. W., Washington 7, D. C.

Bank Stocks—102nd quarterly comparison of leading banks and trust companies of United States—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Burnham View — Monthly investment letter — Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available is current **Foreign Letter.**

Canadian Business Conditions—Review—Bank of Nova Scotia, Economics Department, Toronto 1, Ont., Canada.

Canadian Economy—Monthly Business Review—Bank of Montreal, Montreal, Que., Canada — New York office 64 Wall Street, New York 5, N. Y.

Canadian Natural Gas Securities—Report—Wisener and Company, Limited, 73 King Street, West, Toronto 1, Ont., Canada.

Canadian Review — Including list of exchange members—Montreal Stock Exchange, 453 St. Francois Xavier Street, Montreal, Que., Canada.

Canadian Securities—Financial facts and comment—Annett & Company Limited, 335 Bay Street, Toronto 1, Ont., Canada.

Canadian Stock Prices Changes in 1957—Study—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, and Royal Bank Building, Toronto, Canada.

Carrying on Business in Canada — Booklet — Royal Bank of Canada, Montreal, Que., Canada (New York agency, 68 William Street, New York 5, N. Y.).

Chilean Copper Situation — Analysis — Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are bulletins on **Lockheed Aircraft Corp.** and **Colgate-Palmolive.**

Construction Outlook for 1958—In monthly news letter—First Security Bank of Utah, Salt Lake City, Utah.

Electrical Machinery Manufacturing Industry in Japan—Review in current issue of Nomura's Investors Beacon—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same issue are discussions of the Japanese Bond issue market and the Shipping Trade.

Japanese Stocks — Current information — Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

Leading Banks and Trust Companies of Northern New Jersey—Comparative figures—Parker and Wiessenborn, Incorporated, 24 Commerce Street, Newark 2, N. J.

Life Insurance Companies and the Averages—Comparison of market performance of 20 leading "Stock" life companies and 30 stocks comprising the Dow-Jones Industrial Average—Paradise Securities Company, 9477 Brighton Way, Beverly Hills, Calif.

Market Outlook and Selected Securities—Bulletin—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

New York City Banks—Breakdowns—government bond portfolios and sources of income—for 13 New York City Bank Stocks—Laird Bissell & Meeds, 120 Broadway, New York 5, N. Y.

New York City Bank Stocks—Comparison—First Boston Corporation, 15 Broad Street, New York 5, N. Y.

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Over-the-Counter Index — Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 19-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Preferred Stock Offerings in 1957—Analysis—Eastman Dillon, Union Securities & Co., 15 Broad Street, New York 5, N. Y.

Securities of the International Bank of Reconstruction and Development—Booklet outlining features of these obligations—Wm. E. Pollock & Co., Inc., 20 Pine Street, New York 5, N. Y.

Taxability of Dividends Paid in 1957 by investment funds—Taussig, Day & Company, Inc., 509 Olive Street, St. Louis 1, Mo.

Understanding the New York Stock Exchange—Guide to work and functions of the Exchange—New York Stock Exchange, 11 Wall Street, New York 5, N. Y. Also available is a pamphlet on "Telling Your Shareownership Story to Employees, Stockholders and the General Public," an information guide for listed companies.

Uranium — 1958 review and information Canadian producers and potential producers—John M. Easson & Co. Limited, 217 Bay Street, Toronto 1, Ont., Canada.

Why Stocks Must Go Up—Ira U. Cobleigh and Robert A. Gilbert—Intercontinental Research, 19 Rector Street, New York 6, N. Y.—paper—50c.

• • •

America Airlines—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also available are reviews of **Burroughs** and **New York, Chicago & St. Louis Railroad.**

Avco Manufacturing Company—Analysis—Schirmer, Atherton & Co., 50 Congress Street, Boston 3, Mass.

Baltimore & Ohio Railroad—Bulletin—Peter P. McDermott & Co., 42 Broadway, New York 4, N. Y.

Canadian Curtiss Wright Limited — Analysis — C. M. Oliver & Company Limited, 821 West Hastings Street, Vancouver 1, B. C., Canada.

J. I. Case Company—Review—Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis.

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Homestake Mining Company—Analysis—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

Mallinckrodt Chemical Works—Pamphlet—Newhard, Cook & Co., Fourth and Olive, St. Louis 2, Mo.

National Telefilm Associates Inc.—Bulletin—Georgeson & Co., 52 Wall Street, New York 5, N. Y.

Otis Elevator—Data—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. Also in the same circular are data on **Stone & Webster** and **Thatcher Glass.**

Philip Morris, Inc. — Bulletin — Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

Ruberoid Co.—Memorandum—A. M. Kidder & Co., Inc., 1 Wall Street, New York 5, N. Y.

South Carolina Electric & Gas Company—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a review of business conditions in the south.

Spencer Chemical Company—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y. Also available is a review of **Stone Container Corp.**

Tri-Continental Corporation — 1957 annual report — Tri-Continental Corporation, 65 Broadway, New York 6, N. Y.

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Our Reporter's Report

Presumably taking cognizance of the pace of the recent advance in the seasoned bond market and the corresponding drop in yields on new corporate issues, investors have been inclined to slow up in their purchase for a bit of re-appraisal.

At least that is the way competent observers account for the recent tapering off in demand. Since the Federal Reserve first dropped the rediscount rates at central banks in November, yields on top grade new liens have backed off around a full 1%.

This week's Bell Telephone of Pennsylvania issue, for example, came to market on a 3.65% yield basis, versus a 4.90% basis, or thereabouts, for an American Telephone issue just before the November bank rate cut.

Naturally when buyers look back on the rates, for similar type paper, of a few months ago they feel they find reason for a bit of hesitation. For unless we are headed back to the abnormally low money rates of New Deal vintage, it would appear that the downward adjustment in money costs has been vigorous to say the least.

There is a substantial enough calendar in prospect, and still building, to allow institutional portfolio managers a bit of leeway. True, the mortgage market is not the outlet it once was, but even here extreme ease in money could promote real new activity.

Taking a Breather

Bell Telephone of Pennsylvania made a bit of history this week when it brought to market $50 million of new 31-year debentures which have been cooking on the back of the stove since last Fall.

Back in 1925, the company sold $50 million of 5% bonds. At the time money had to be attracted and the company agreed to make the bonds non-callable until Oct. 1, 1957. It aimed at refunding on that date, but the market proved too costly and the project was postponed.

The new debentures, carrying a 3¾% interest rate and priced to yield 3.65%, were a little on the slow side, at the outset, according to market reports, but were expected to move out.

Consolidated Edison Co.

New York's giant Consolidation Edison Co., will be in the market for new capital this Spring if plans approved by directors this week are not sidetracked.

The board voted to authorize an issue of $50 million of new bonds and to seek permission from the State Public Service Commission to offer the issue.

Presumably it will be put in registration with the Securities and Exchange Commission once the State agency has acted.

Waiting on Treasury

The investment world has a weather eye glued on the Treasury these days in anticipation of early announcement of plans for a reported long-term bond offering.

Some people feel that there is good reason to expect that an offering of $1 billion of such bonds carrying a 3¼% interest rate probably would be well received.

They feel that this would be especially so if the Federal Reserve Board, as it is being urged to do from all sides, were to order a reduction in reserve requirements of member banks.

COMING EVENTS

In Investment Field

Jan. 30, 1958 (Minneapolis, Minn.)
Twin City Security Traders Association Annual Winter Dinner at the Calhoun Beach Hotel.

Feb. 13, 1958 (Chicago, Ill.)
Bond Club of Chicago annual meeting and dinner at University Club.

Feb. 14, 1958 (Boston, Mass.)
Boston Securities Traders Association 34th annual dinner at the Sheraton Plaza Hotel.

Feb. 21, 1958 (Houston, Tex.)
Stock & Bond Club of Houston annual Field Day at Lakeside Country Club.

Feb. 28, 1958 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual Mid-Winter Dinner at Bellevue-Stratford Hotel.

March 7, 1958 (New York City)
New York Security Dealers Association 32nd annual dinner at the Waldorf-Astoria.

April 11, 1958 (Toronto, Canada)
Toronto Bond Traders Association annual dinner at the King Edward Hotel.

April 23-25, 1958 (Houston, Tex.)
Texas Group Investment Bankers Association annual meeting at the Shamrock Hotel.

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The Investment Specialist In an Era of Specialists

By HOWARD F. WORTHAM*

President, Trainer, Wortham & Company, Inc.
Investment Counsel, New York City

Investment Adviser critically asks "what is a conservative policy" in managing a pension fund. Mr. Wortham answers his question by explaining why, one, equities definitely belong in a continuously supervised and well-managed balanced portfolio and, two, trustees who follow their own expert judgment can obtain better results than if they were to follow rigid limitations inherent in a State legal list. Reviews various demands a fund must meet; asserts funds must keep pace with cost of living, and assumes inflation trend will be with us in the foreseeable future; and spells out what investment management involves. Warns there is greater loss through lack of skill and experience than through improper acts in asset-management.

You can hardly pick up a newspaper these days without finding some article on pension funds which makes one realize how vitally important is their impact on our economy. It is axiomatic that a building is no stronger than its foundation. It is also axiomatic that a pension fund is no stronger than the assets which are its foundation. In approaching this question,

H. F. Wortham

we have to recognize that pension funds are divided between insured and self-insured; between those which are underwritten by insurance companies and those which are directly invested in securities by the trustees themselves.

At the end of 1950, the assets of insured pension plans totalled $12,275,000,000, while the assets of self-insured trusts (the securities type) aggregated $16,600,000,000, or 35% more. Both types of pension plans are continuing to increase in scope and size but those which are self-insured apparently more rapidly than those underwritten by insurance carriers.

With an insured plan, the investment problem is handled by the insurance company as part of its over-all investment program. However, being an investment specialist, I shall confine my discussion to the problems of those who are faced with the management of self-insured pension trusts. There are situations which represent a combination of insurance and direct investment, sometimes called "split-funding" trusts. We shall concern ourselves only with that part which is invested in securities.

As a beginning, let us assume that, with the advice of a qualified actuarial consultant, a pension fund's trustees have decided to proceed on a self-insured basis, or on a split-funding basis, and that they are, therefore, confronted with the problem of managing the fund's investments. Success of the investment program is of critical importance for a pension fund. This is true with respect to both the **yield** which may be obtained and the **security** of the assets.

It makes a considerable difference to the financing of a pension fund whether the yield which it realizes over a period of years is 3% or 3½%. The common actuarial figure is that a full percentage point difference in the yield of a pension fund is likely to make a difference ultimatelv of as much as 20% in its annual cost. A variation of ¼ of 1% in the investment yield can make a difference of 5% in the annual cost.

The security of the invested funds is a consideration of equal, if not greater, importance than the yield. If a **personal** trust is mismanaged, the consequences, though serious, would be limited to the few individuals involved. How much more tragic would be the consequences of mismanagement in a pension fund! What is equivalent to years of savings of hundreds and perhaps thousands of individuals of modest income, may be destroyed. The welfare of an entire community could be affected. Security in old age may be undermined by the failure of an investment program which does not observe the safeguards of prudent investment.

Pension funds are generally invested in portfolios which are diversified and balanced. They are divided among the major classes of investments such as bonds, which may include corporation as well as United States Government obligations, preferred stocks and common stocks. Sometimes a part of a pension fund may be invested in other types of securities such as real estate mortgages.

Free vs. Non-Free Judgment

At the very outset, those who create a pension fund face the decision of whether they want to restrict their investment program to those securities which are legal for trust funds under State law. A trust agreement, or declaration of trust, may limit the pension fund to securities which are recognized as legal for trusts or that basic document may, by specific provision, exempt the fund from such restrictions. Limitation to legal investments means that the largest part of the fund must be invested in specific bonds. These have been placed on the legal list of the State's Banking Department through application by that agency of certain prescribed standards of security. On the other hand, the trustees of a pension fund can still observe the highest standards of caution in the investment of their funds without becoming entangled in the rigid limitations represented by State definitions of investments legal for trustees.

It has been my experience that trustees who may exercise freedom of judgment can obtain better results than if they are subjected to the limitation of legal investments. This, of course, would place greater emphasis on the selection of the trustees and their advisers to be certain that they are sufficiently experienced in investment management. Naturally, the trustees can, if they want to, adopt a self-imposed policy of limitation on any class of security, which could be varied by them from time to time as conditions warrant.

Pass Up a Good Buy

I should like to give you an example of the problems posed by "legals." In advising the trustees of a pension fund which is restricted to New York legals, our firm found that recent market conditions made it possible to buy at 96 a bond which, because of its conversion privilege, had traded as high as 148 in 1956. The issue carried the highest rating by one rating service and the next highest rating by another, and there was no question of its quality. Yet the issue could not be bought because it was not on the New York State list of legals.

Let me give you a second example of how restrictions to legal investment can work to the disadvantage of a pension fund. In New York State, the law provides that not more than 35% of a trust which is restricted to legals may be invested in common stocks. The 35% is based on the market value of the total fund at the time that a purchase is contemplated. Assuming the fund to have been invested in common stocks to the full permissible extent, a rising market would increase the value of equities above 35% and this would have the effect of freezing the account. Under such conditions, if any common stock were sold, the proceeds could not be reinvested in other common stocks except to the extent that, together with all other equities, they represented not over 35% of the fund. Any excess would have to go into bonds.

Weighing Role of Each Class of Securities

We should now consider the role, or function, of each of the major classes of securities in a pension fund. A large percentage of any portfolio would ordinarily be invested in high grade bonds. These need not necessarily be obligations of the United States Government, since the credit of many corporations is so good that there can be little doubt that both the principal and interest of their bonds will be paid promptly when due. Despite this fact, United States Government bonds do have a particular function to fulfill; namely, that of providing an exceptionallly high degree of liquidity. This characteristic, however, should be weighed against the somewhat greater yield which is usually obtainable from corporation bonds of corresponding maturity.

Investment in bonds involves more than a choice of the particular issues which should be bought. It raises the question of appraising, from time to time, the proportion of the fund which should be so invested as compared with other classes of securities. It is concerned with ever-changing interest rates and adjustments in the money market which must be constantly under study if a pension fund is to secure the greatest value from its investment program.

What sort of considerations bear on a pension fund's purchase of particular bonds? To begin with, the investment manager should be conscious of the relations between the yield which will be realized on the bonds and the interest assumption used by the actuary in establishing the plan. An actuary may base his calculation upon a long-term interest yield of 2½% to possibly 3¼%. Certainly, investment can be made today in suitable bonds which provide at least these yields.

Spread of maturities is another question to which attention has to be given. Usually, a pension plan will, for many years, enjoy contributions greater than its expenditures, so for a while there would be new money to be invested. However, there comes a point at which there may be particularly high demands for benefit payments. In planning the purchase of bonds, it is necessary to keep these potential needs in mind. Additionally, a certain amount of liquidity has to be planned for. Spacing of maturities should be consistent with the fund's actuarial requirements. Also, it is wise not to buy too many bonds which become due at one time, since a heavy concentration of maturities, occurring in a period of low interest rates, would make reinvestment for adequate income exceedingly difficult.

The whole question of the possible demands for cash on a pension fund is related to the features of the plan itself. If it is contributory, it will almost invariably provide that an employee may withdraw in a lump sum the value of his own contributions, with interest. This may represent a considerable demand for cash withdrawals at particular times, which could likewise happen if the plan provides for a high degree of vesting, and particularly if the vested benefits are commuted by terminated employees into lump-sum settlements.

Preferred and Common Stock

The next major class of investments is preferred stocks. Since they are not debts of corporations, they do not offer the same security as bonds, but on the other hand, their yield is usually better. If preferred stocks are very high grade, they, like bonds, are subject to the influences of interest rates. The experience that investors have had in this type of investment over the last few years has been far from satisfactory. The Standard & Poor's Index of preferred stocks shows that in 1956, prices reached a peak of $176.4. The low so far in 1957 was $144.2, a decline of 32 points, or 18%. I do not mean to imply that preferred stocks do not have their place in an investment program but, like any other tool, they must be handled correctly and used at the right time. Preferred stocks, for example, were extremely profitable right after the great depression of 1929-32. In those lean years, corporations were forced to defer action on their preferred dividends and poor earnings for several years prolonged the period of non-payment. However, when companies were again making profits, both back dividends, as well as current, were paid on those preferred stocks which were cumulative. Buyers of such issues in the middle 1930's were handsomely rewarded both by unusually large income as well as by increase in value of the stocks themselves.

The third major class of investments is common stocks, which are receiving an increasing share of pension fund money. A recent survey by the Securities and Exchange Commission indicates that, based on book values, self-insured

Continued on page 48

*An address by Mr. Wortham before the Institute of Management and Labor Relations sponsored by Rutgers University, Atlantic City.

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January 24, 1958.

The Role of Monetary Policy

By E. M. BERNSTEIN*

Former Director, Department of Research and Statistics, International Monetary Fund

Prominent monetary economist provides definitive insight into efficacious scope of monetary policy and into justified, as against functionless, price movements in his many-sided appraisal of the role of monetary policy. Mr. Bernstein would not reverse monetary policy at the first sign of a termination of an expansion, but only after the danger has passed away; finds untenable the view that the Employment Act of 1946 hampers an effective monetary policy; and holds Federal Reserve no more subordinates itself to the Government when it gives full weight to the views of a governmental agency than, as he advocates, the opposite of this. Approves of pragmatic monetary policy which keeps a careful contiguity between money supply and economy's need for money at all stages of business cycle.

It can be assumed that the objectives of monetary policy comprise some combination of a proper balance of payments, stability of an appropriate index of prices, and a high and growing level of production, employment and real income. If the monetary authorities are successful in maintaining approximate stability of an appropriate index of prices, the task of achieving a high level of economic activity and a strong payments position will be facilitated.

Edward M. Bernstein

The Behavior of Prices

In a free economy, operating through the price system, the behavior of the economy as a whole and its constituent sectors will be reflected in and be affected by the movement of prices. So long as these price movements serve to guide production, distribution, and use of the national output in a manner consistent with the objectives of monetary policy, they are functional changes in prices. On the other hand, when prices rise or fall persistently, and in a manner that defeats the objectives of monetary policy, such price movements are indicative of inflation or deflation—a functionless rise or fall in prices. While it is clear that changes in relative prices perform a function in shifting resources within the economy, it is not always apparent that a change in the price level is a necessary concomitant of a rapid increase in production.[1]

In every economy, there are fluctuations in consumption, investment, and government use of resources which are induced by real changes in demand—that is to say, independent of the creation of money. The economy will respond to such changes in demand with changes in output. Even if the supply of money remains the same, aggregate output will rise or fall and will be accompanied by a similar rise or fall in the price level. As it is assumed there is no increase in the supply of money, the production and absorption of a larger output at higher prices will be financed through an increase in velocity. Under these conditions, the rise in prices will be limited and it will come to an end as output approaches the desired level and the economy finds increasing difficulty in doing a larger volume of business with the same supply of money.

To see the role of monetary policy, it may help to have some quantitative idea of the limit of a functional rise in prices during a cyclical expansion in business. In the United States, the experience has been that for each 2 to 3% increase in industrial production there is likely to be a 1% rise in wholesale prices. For example, between July 1924 and June 1925, industrial production rose by 20% while wholesale prices rose by 9%. Between March, 1936 and March 1937, industrial production rose by 28% while wholesale prices rose by 12%. While similar relationships may be seen in the cyclical expansions after the war, they are complicated somewhat by the rising price trend of the postwar period.[2]

So long as there are cycles of investment and consumption, aggregate demand will not grow at a steady pace and production will fluctuate with demand. Monetary policy may moderate these cycles; it is difficult to believe that it will eliminate them. When production can be increased significantly, a moderate rise in prices is functional, a means of acquiring the additional resources necessary for the increase in production.[3] When prices rise considerably without much increase in production, the price rise is inflationary, a reflection of the excess of aggregate demand. For example, between August 1954 and December 1955, industrial production increased by 17% and wholesale prices of industrial products rose by 5%—a functional rise in prices. By contrast, industrial production was virtually unchanged between January 1956 and January 1957 while wholesale prices of industrial products rose by 4%—an inflationary rise in prices.[4]

Monetary policy must be concerned with preventing inflation without impeding the adjustment of production and prices which is constantly going on in the economy. To be effective, monetary policy must be applied continuously to see that there is an appropriate quantity of money — enough, but not too much, to enable the economy to maintain a sustained rate of growth. It is not possible, of course, to determine at each moment of time what is precisely the appropriate amount of money. The actual problem is rather one of making small adjustments to provide approximately the amount of money the economy needs. Whether there is too much or too little money can best be seen from the level of production and employment, the rise or fall in prices, the state of the money and capital markets, and changes in imports, exports, and monetary reserves.

Maintaining Monetary Discipline

Because monetary policy must be made in this pragmatic way, its effectiveness depends upon keeping contiguity between the supply of money and the economy's need for money. A large excess in the money supply should not be allowed to develop, because under such conditions the monetary authorities may be unaware of the magnitude of the inflation potential and unable to cope with it if the danger should emerge. The difficulties created for the monetary authorities when contiguity in the monetary system is broken can be seen from the recent experience of the United States.

The great depression was accompanied by a very considerable contraction in the money supply—from $26 billion in June 1929 to $19 billion in June 1933. As part of the program to induce recovery, the money supply was expended on a large scale and at a rapid rate—from $19 billion in June 1933 to over $45 billion in June 1941. Accepting the desirability of an easy money policy in a period of protracted unemployment, it is nevertheless questionable whether such a large increase in the money supply can be significantly more effective than a more moderate increase. Between June 1941 and June 1946, the money supply was further increased from $45 billion to nearly $106 billion. Allowing for the large increase in the national product, it is clear that the divergence between the money supply and the need for money was considerably increased during the war.[5]

At the end of the war, private wealth was much too large in comparison with current and prospective personal incomes—the excess having arisen from the financing of the war by borrowing. At the same time, the allocation of the assets held by the public was unbalanced between money, fixed income assets, and real assets, including equities. It is interesting to consider what could have been done after the war to restore contiguity between the money supply and the economy's need for money. The yield on securities could have been made higher to induce the public to hold bonds instead of cash; and consumption and investment could have been held down through heavier personal and corporate income taxes. Actually, it was not feasible to reduce private wealth and the money supply to levels consistent with normal demand at constant prices. It would, however, have been possible for the monetary authorities to have imposed a more rigorous restraint on additions to the money supply in the past decade and thus moderated the postwar rise in prices.[6] The Accord with the Treasury in March 1951 gave the Federal Reserve greater flexibility in taking measures to avoid the continued accumulation of government securities and thus to restrain the expansion of bank credit.

Over the years, the supply of money has been gradually adjusted to the needs of the economy. This has come about not through a reduction of cash balances but through a steady rise in prices and output, interrupted for short periods by mild recessions. In 1946, the ratio of the gross national product to the money supply was 1.97. By 1956 this ratio was 3.12. As the value of the gross national product became larger, the ratio in 1957 rose to 3.26, well above the prewar figure. Unfortunately, this does not prove that the money supply is no longer excessive. A given ratio may be excessive for a period of full employment, rising prices and profits, and high interest rates, even though the public held an equivalent amount of cash balances without stimulating expansion in an earlier period of relatively low economic activity.

It is fashionable to speak of inflation as if it is now largely wage-induced and for this reason beyond the control of the monetary authorities. When prices are rising under the pressure of excessive investment, it is futile to expect labor to consent to a level of real wages below the economic value of the work on the grounds that such restraint will minimize the rate at which prices rise. Almost certainly, the rise in prices in the United States had its origin in the excessive liquidity which induced excessive investment, rising prices and profits, and provided a favorable environment for labor to demand wage increases and for employers to grant them. Once monetary discipline is restored, wage expectations are more likely to be consistent with monetary stability.

Instruments of Monetary Policy

The most important means used by commercial banks to acquire resources for increasing business loans is through the sale of investments, particularly government securities.[7] If the Federal Reserve Banks are the buyers, the reserves of the banking system, as well as the resources of the selling bank, are increased by the proceeds of the sale of securities. If banks with excess reserves are the buyers, the reserves of the banking system are unchanged, the potential credit creation remains the same, but the actual credit created will be increased because of the transfer of reserves from non-lending to lending banks. If depositors are the buyers, the reserves of the banking system are unchanged, the actual credit created remains the same, but the velocity of the money supply will have been increased, since the cash balances will be transferred from holders to spenders.

The monetary authorities have powers that enable them to determine the volume of credit, to some extent its allocation for different purposes, and through the availability of credit, its cost to borrowers. When the Federal Reserve Banks purchase securities the reserves of the banking system and their power to create credit are increased. Conversely, when the Federal Reserve Banks sell securities, the reserves of the banking system and their power to create credit are decreased. The initiative in providing the banks with more or less reserves through such operations is taken by the Federal Reserve System and the incidence of the change in reserves is determined by the market.[8] The effect on the yield and prices of securities will facilitate adjustments in bank loan rates and other interest rates to balance supply and demand.

The loans and advances of the Federal Reserve Banks are part of the process of adjusting the reserves of the banking system, although in such operations, the initiative is always taken by the member banks.[9] As the additional credit that a bank extends to its customers yields more than the cost of the borrowed reserves, the effectiveness of the discount rate in restraining member bank borrowing depends upon the tradition that the amount of reserve credit to a member bank and its period of use should be limited. The psychological effect of changes in the discount rate may be far greater than their economic significance because such changes are made at infrequent intervals and can be dramatized as major steps in credit policy.[10] The response of the bond market to the recent reduction in the discount rate was due more to a change in expectations than to a change in basic market conditions.

The Federal Reserve System

Continued on page 47

1 Some economists agree with the distinguished historian of prices, Thomas Tooke, that any rise in prices constitutes inflation. Tooke believed that prices would not rise, even under the extreme conditions of war, if the government would finance its expenditure out of taxes or through loans from the public. "It is perfectly demonstrable," he wrote, "that an expenditure by government, whether defrayed by immediate taxes to the whole amount, or by loan on the anticipation of taxes to be levied, is nothing but a change in the mode of laying out the same sum of money; and that what is expended by government would and must have been laid out by individuals upon objects of consumption, productive or unproductive." *A History of Prices and of the State of the Circulation*, Vol. I, pp. 92 ff. This argument is based on the assumption that without the creation of more money, there can be no increase in aggregate demand.

2 It should be noted that the tendency for consumer prices to rise relative to wholesale prices in recent years is primarily due to the fact that in almost all countries the rise in consumer prices has lagged far behind the rise in wholesale prices in the past 20 years. Thus, in the United States, in the last quarter of 1957, consumer prices were about 98% above the 1937 level, while wholesale prices were 110% above the same level. Much the same experience is found in Canada, the United Kingdom, Germany, France, Australia, and other countries. The lag in consumer prices is due to the fact that some of these prices are controlled (e.g., rents), regulated (utility services), or considerably affected by custom (personal services). The rise in consumer prices toward the secular relationship to wholesale prices should not be regarded as evidence of inflation if the wholesale price level of domestically produced industrial goods tends to be stable.

3 A cyclical rise in prices is due to several factors, all related to the rapid expansion of output. First, it reflects higher prices for raw materials to induce increased production, larger releases from stocks, or a greater national share of world supply. Second, it reflects higher wage costs resulting from the tendency for wage increases to be concentrated in the period of industrial expansion. Third, it reflects higher profit margins because the increase in output lags behind the increase in demand.

4 The results are essentially the same if the increase in the value of the gross national product is allocated between the part which reflects a rise in output and the part which reflects a rise in prices. Between the fourth quarter 1955 and the fourth quarter 1956 the gross national product increased by about 5%. Three-fifths of the increase reflects the rise in prices.

5 One reason for this excessive expansion in the money supply was the decision of the government to finance the war at low interest cost. The yield on long-term government bonds during this period was less than 2.5%. The yield on Treasury bills was pegged at 3/8%.

6 E. M. Bernstein, "Latent Inflation," *Staff Papers*, Vol. I, No. 1, February 1950. The conclusions of the paper, first issued on April 30, 1948, were stated in the following paragraph: "All things considered, there are no grounds for optimism in regard to latent inflation. It is difficult to believe that all or even most of the problem can or will be solved by wiping out or working off excess private wealth and liquidity. Expediency will probably dictate a compromise by gradually activating the latent inflation with slowly rising prices and wages." *Ibid.*, pp. 15-16.

7 The importance of the purchase and sale of securities by commercial banks as a means of investing excess funds or of acquiring resources for loans can be seen from the changes in such holdings between 1953 and 1957. With the decline in business, commercial bank holdings of government securities increased from $58.2 billion at the end of May 1953 to $70.2 billion at the end of October 1954. With the expansion of business, commercial bank holdings of government securities decreased to $55.6 billion at the end of September 1957. These large changes indicate the importance of giving the Federal Reserve authorities the right to determine their purchases and sales of government securities with primary reference to the effect of such transactions on the monetary situation.

8 When the market had become adjusted to the Monetary Accord, after 1952, the open market operations of the Federal Reserve System were not very large, the substitution of securities of different types being disregarded. The month-end holdings of government securities by the Federal Reserve Banks rose from $23.8 billion at the end of April 1953 to $25.9 billion at the end of December 1953, part of the increase being to meet seasonal needs. Thereafter, their holdings of government securities declined to $22.9 billion at the end of June 1957.

9 The rediscounts and advances of the Federal Reserve Banks tend to move in the opposite direction from their holdings of government securities. At the end of November 1952, such credit to commercial banks amounted to $1.6 billion. At the end of December 1953, such credit had been reduced to about $100 million. In the subsequent expansion of business, the rediscounts and advances of the Federal Reserve Banks rose to about $1.0 billion at the end of May 1957. The practice of borrowing Federal funds, that is, the lending of reserves by banks with an excess to banks with a deficiency, at a cost not above the rediscount rate, has diminished to some extent the rediscounts and advances of the Federal Reserve Banks. To maintain the rediscount rate above the yield on Treasury bills, so that it remains a penalty rate, the Federal Reserve Banks raised the rate three times in 1955, twice in 1956 and once in 1957.

10 The innovation introduced by the Bank of Canada of a fluctuating discount rate, adjusted weekly at 1/4% above the last preceding average tender rate for three-month Treasury bills, gives assurance that the discount rate, with rare exceptions and only for the briefest intervals, will be a penalty rate. This may enable the monetary authorities to emphasize that the rise and fall in interest rates are the result of changes in the market. It is doubtful whether the weekly adjustments add to the effectiveness of the discount rate as an instrument of monetary policy.

*An address by Mr. Bernstein at the meeting of the American Economic Association, Philadelphia, Pa., Dec. 28, 1957. The views herein are the personal opinions of the author and do not necessarily represent the views of the Monetary Fund, its management or its executive board.

Our Securities Market's Condition And Exemptions for Foreign Firms

By JAMES C. SARGENT*
Commissioner, Securities and Exchange Commission,
Washington, D. C.

SEC Commissioner airs his minority views against colleagues' discriminatory proposal to exempt foreign corporations from our disclosure and accounting standards. Mr. Sargent calls attention to increased recourse to public financing, reviews current law enforcement activities, comments on use of summary prospectus here and in Canada, and finds soundness of securities markets best exemplified by institutional heavy purchases at the height of the sell off following President Eisenhower's last illness.

When anyone risks discussing current markets he certainly subjects himself to possible criticism for his inability to forecast correctly the trend in the stock and bond markets. Gentlemen, if I could accurately prognosticate short-term market trends or even long-term movements, I would probably retire with my ticker tape to some Mediterranean island and bask in the sun. I sit in a commissioner's chair in the SEC building in Washington, which is a far cry from a Mediterranean island.

James C. Sargent

My comments are directed to the relationship of the money market to our country's economy, and to the financing needs of corporations through the capital market process.

Let me give you our latest figures and relate some practical developments with which we have recently been concerned—and I'll leave the crystal ball-gazing to those who are so much better qualified to indulge in such a pastime.

Increasing Recourse to Public Financing

In the first nine months of 1956, corporations offered for public sale $7.9 billion of corporate securities. For the very same period of 1957, corporations have offered $9.9 billion of securities — representing an increase of $2 billion for the like period. Certainly these rather dramatic figures are realistic indications that securities offerings are continuing at a high rate. They bear an obvious relationship to the discount rate which during this period has been consistently going up, a trend which, as you well know, was recently reversed by the Federal Reserve Board. The record highlights the point that corporations have been looking to the public capital markets more and more for the financing, in addition to retained earnings, essential to support their programs of expansion as well as for other intra-corporate development.

Significantly, such dynamic activities relate to a very important phase of this Commission's work with which your various corporations are concerned — the maintenance of sound securities markets.

The ingenious mind of man never ceases to discover and develop new ways of circumventing statutory safeguards and the securities business, if any, is the field in which the mind of subversion seems to be of the highest order. We are continuously battling those elements which devise schemes to "milk" the American public. As long as individual investors are being "burned" each day by schemes which seek to wrench their money from them, the more difficult will be the task of spreading the capital market participation to a larger segment of the American public. The figures I first recited to you clearly indicate that more public financing is being resorted to by corporations and certainly the savings of the American people are the primary source from which this money must come. This Commission, therefore, cannot sit idly by while schemes are daily concocted to take money by false pretenses and otherwise from the American investing public. The loss of even one investor resulting either from a bad experience or duplicity must be cause for great concern to industry and the Commission.

Combatting Subversive Influences

To illustrate what has been done to keep the financial markets free of subversive influences, let me report the following:

In the last fiscal year ending June 30, 1957, we have referred 26 criminal cases to the Department of Justice, involving 132 persons — the largest number in the last decade. In the last two fiscal years, 87 injunctive cases were instituted by the Commission, with 246 persons named as defendants.

These figures are important because they illustrate that the Commission has accelerated its enforcement activities at the same time that this nation's economy has achieved heretofore unequalled horizons. Although the last year has indicated less activity on share sales on the New York Stock Exchange, corporate financing has, nevertheless, been on the increase. It seems most obvious to us that we have an urgent enforcement task because the slight decrease in market activity, when coupled with increased corporate financing, dramatically illustrates the vital need for finding new investors. The savings of Americans who have heretofore not invested in the securities of American business must be found, solicited, and attracted into the capital markets. Our enforcement actions must necessarily be on the increase so as to prevent any possibility of any injury as a result of fraud to such new investors.

Rule 434A

In order to assist corporations in reaching these new investors, the Commission has provided for the use of a summary prospectus by the promulgation of its Rule 434A. The aim of a summary prospectus is to omit in part or summarize certain information set forth in the more complete prospectus required to be used in the sale of securities. The Rule permits registrants using Form S-1 or S-9 to avail themselves of this sales and informational weapon. Rule 434A is designed to facilitate a wide dissemination of information in regard to registered securities and also serves as a screening device which assists corporations and their underwritings in seeking out interested persons. Rule 434A depicts the continuing development of disclosure philosophy which the Commission has been administering since 1934. I feel that the most important contribution made by the Federal Securities Act has been investor confidence which follows from disclosure. Today's securities markets are in sound condition because investment analysis is now possible through the availability of information, the disclosure of which has been made mandatory under the Securities Act of 1933 and the Securities and Exchange Act of 1934. Many people remember the objections raised by industry to the requirements of disclosure which included sales figures, cost information, and salaries of corporate officers. The Commission took the position early in the administration of the Federal Securities Acts that these matters were important investment factors because they relate to the financial operations of the companies upon which investors must form their own investing judgments.

Canadian "Tout" Sheets

After a year in use, the summary prospectus has to date presented no problem. This indicates that industry and investment bankers have availed themselves of this modus operandi and have closely supervised the use of this material. These results help to illustrate the maturity of our capital formation process. It was only 30 years ago that summarized informational materials of a most inflationary type were circulated to assist flotation of financing by misleading and misstated means. The evils inherent in abbreviated brochures can best be understood by looking at some "tout" forms distributed by Canadian brokers and dealers about some speculative securities. These abbreviated sheets tend to omit most of the vital statistics and are anathema to anyone who seeks the complete facts about an investment. As the Rule now reads, prospective investors may have all the facts if, after reading the summary prospectus, they decide to look further by requesting a complete Section 10 prospectus.

Incidentally, I want to let you know that we have developed an excellent liaison with the provincial authorities in Canada and these "tout" sheets at the present time are definitely on the decrease.

Let us be realistic! In my opinion, the average investor does not scrutinize a prospectus. However, most persons have brokers or dealers who utilize financial advisory services. These services are constantly analyzing companies and comparing their respective performances within the particular industry and generally. The public receives digested information which eminates from investment advisors and brokers. Some of the information collated from filings with this Commission includes figures such as current ratios, debt ratios, book value, yield on investment, and numerous other yardsticks which guide investors. The very soundness of these figures and their public nature is the one salient difference between the '20s and the '50s. I believe the Commission's contribution to our economic development is the very key to the absence of volatile market action Market movements can certainly be significant but the emotional factors behind human action have been tempered and calmed by cold, hard, investment facts behind our securities markets. The very firm recovery of the market after President Eisenhower's recent illness illustrates the resilience of our economy. Of course, we cannot control human emotions and the reactions that followed the news of temporary illness to our great President. The fact that the market action is significant does not serve to point out any weakness in our securities markets but rather highlights the respect and admiration the American public investor holds for his Chief of State.

Let me also add, as an aside, that the soundness of these markets is best emphasized by the fact that our study of the market activity following immediately the announcement of the President's illness established that institutional companies and mutual funds were the heavy purchasers at the height of the sell off. The action of these sophisticated investors is the finest market barometer that I can use to support my position.

Foreign Corporate Disclosure

Last year the Commission proposed a rule amendment that would lower our disclosure and accounting standards for large foreign corporations. I voted against it. I'll continue to vote against any advantage extended to particular groups which runs against the fundamental concepts of Securities Act disclosure. Only recently, I was in the minority because I insisted on opposing an exemption accorded a corporation domiciled in Europe from disclosing the salaries of officers and directors as required by Item 17 of Form S-1. I firmly believe that we should encourage investment by the American public in foreign business in the community of free nations, but I cannot, as a matter of law or fair play, understand why such foreign corporations should be exempt from the standards that domestic issuers must meet. This very group of American Corporate Secretaries opposed disclosure of such information 23 years ago, yet in these intervening years you appear somehow to have come around to our thinking. I believe that lessening of the disclosure standards in any way and for any group makes no sense and helps to weaken the very bulwark of a sound securities market.

*An address by Mr. Sargent before the American Society of Corporate Secretaries, Chicago Chapter, Chicago, Ill., Jan. 8, 1958.

Noguera Ch. of Bd. Of Gov. Devel. Bank

Jose Ramon Noguera, Secretary of the Treasury of the Commonwealth of Puerto Rico, has been elected Chairman of the Board of Directors of the Government Development Bank for Puerto Rico. Prior to becoming Secretary of the Treasury on Jan. 1 of this year, succeeding Dr. Rafael Pico, who is now President of the Government Development Bank, Mr. Noguera was Director of the Bureau of the Budget for six years. He was formerly chief of the finance division of the Puerto Rico Planning Board. A graduate of the University of Puerto Rico, Mr. Noguera is the author of various studies on Government finance. He served as a First Lieutenant, Infantry, with the U. S. Army in World War II.

Jose Ramon Noguera

This is not an offering of these shares for sale, or an offer to buy, or a solicitation of an offer to buy any of such shares. The offering is made only by the prospectus.

456,813 Shares

Northern Natural Gas Company

Common Stock

$10 Par Value

Rights, evidenced by Subscription Warrants, to subscribe for these shares at $47.75 per share have been issued by the Company to holders of its Common Stock of record January 28, 1958, which rights expire February 11, 1958, as more fully set forth in the Prospectus.

The several Underwriters have agreed, subject to certain conditions, to purchase any unsubscribed shares and, during and after the subscription period, may offer shares of Common Stock as set forth in the Prospectus.

Copies of the prospectus may be obtained from any of the several underwriters only in states in which such underwriters are qualified to act as dealers in securities and in which the prospectus may legally be distributed.

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Eastman Dillon, Union Securities & Co. | The First Boston Corporation
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Woodard-Elwood & Company

January 29, 1958.

What Is Happening to the Economy and What Must Be Done

By DAVID J. McDONALD*
President, United Steelworkers of America

Action must be taken now, steel union President asserts, to reverse the downward trend rather than vainly waiting until later to see if the situation gets worse. President McDonald presents a fourfold program to secure free world's defense, provide expansion to meet our growing needs and raise our living standards, and to utilize fully our idle resources. Avers Federal Government has the means to halt and reverse the downturn, and proposes management, labor and government pursue together enlightened policies to achieve suggested objectives.

As America enters a new year of crisis, it is necessary to speak forthrightly about the state of our national economy. Another periodic business downturn has overtaken us, and it shows evidence of becoming as severe as, or perhaps worse than, the recessions of 1949 and 1954. Because of recent production cutbacks, the living standards of millions of our families have already begun to deteriorate, our security is being weakened, and our prestige overseas is undermined.

David J. McDonald

As spokesman for over 1,250,000 steel workers who are deeply affected by these events, and as an American, I cannot refrain from expressing my candid views about what is happening and what must be done.

Even before the first sputnik flashed across the sky and dramatized the rapid rise of Soviet scientific, industrial and military might, our own unmatched productive system — the inspiration and defensive bulwark of the entire free world—had entered a dangerous downward drift.

Manufacturing and mining output in the United States has dropped 7% between December, 1956 and December, 1957. Moreover, the fall-off has been accelerating rapidly during the last four months.

The Soviet Union, on the other hand, reports that its industrial production **went up** 10% during the year just ended.

Our output, moreover, continues to decline and most economists foresee no upturn before the second half of 1958, if by then, unless vigorous corrective action is taken immediately.

By mid-November, 3.2 million Americans were already unemployed. This was the highest jobless count for any November since 1949. Since then—although official figures are not yet available—we all know that unemployment has gone up still more.

Workers in manufacturing are particularly hard hit. By mid-November, factory jobs had already been slashed by 654,000 since December, 1956. In the same period, the work week in manufacturing fell off from 41.0 hours to 39.2. Furthermore, employment in major non-manufacturing categories has also leveled off or declined.

Unemployment and under-employment inevitably overtake the economy when the output of one great American industry after another stagnates or declines.

Today, the aluminum industry is turning out about 12% **less** than its rapidly expanding capacity could provide.

Twenty per cent **less** major electrical appliances are being manufactured than could be produced.

Twenty-five per cent **less** automobiles.

Forty per cent **less** freight cars.

Fifty per cent **less** machine tools.

Idle Capacity

And, today, over a third of the production capacity of the great basic steel industry of the United States stands idle. Blast furnaces, open hearths, and rolling mills capable of turning out an additional 50 million tons of steel ingots a year to meet our civilian and defense requirements, are now shut down.

Meanwhile, 125,000 members of the United Steelworkers of America in basic steel, ferrous and nonferrous metal mining, and in metal fabricating establishments are unemployed and 200,000 additional members are working short-time.

The loss of purchasing power suffered by our membership alone, due to unemployment and the reduced workweek, now approximates a rate of $850 million a year.

Steel industry forecasters express only a **hope** that production "may" rise sufficiently in the last part of 1958 to achieve an average operating rate of about 75% of capacity for the year. But even if this goal is reached, the United States will have lost—and irretrievably—about 35 million tons of steel that could have been produced. This is in addition to the loss of 15 million tons that we could have turned out in the last six months of 1957, but did not.

In 1957-1958—as in 1949 and 1954—our constantly rising capacity to produce has again outpaced the ability of 55 million American families to buy the wealth our national economy is able to turn out.

For two years our soaring investment in new plants and in more efficient equipment sparked the boom which ended last year. In 1956, capital investment skyrocketed to a record $35 billion, more than $6 billion higher than the year before. In 1957 it rose still higher, to $37 billion. This tremendous expansion of production capacity has created the possibility of an unprecedented growth in the output of goods of all sorts.

Unfortunately, however, demands from all sources have lagged far behind our rising ability to produce. In fact, in many important categories 1957 sales were lagging behind the levels of a year or even two years before.

For example:

In the first 11 months of 1957, the sale of new automobiles came to 5½ million, a shade less than the year before. During the same period in 1955, however, over seven million new cars were sold.

Last year, new housing starts fell to less than a million for the first time since 1948. In 1956, we started to build over 1.1 million new dwelling units and more than 1.3 million in the course of the year before.

Shipments of major electrical appliances also lagged in 1957—freezers were down 5% from the year before, refrigerators down 9½%, ranges down 14%.

Furniture sales also fell off about 10% last year.

Freight carloadings are running about 15% below a year ago.

Waning optimism about the health of the economy was finally reflected on Wall Street and set in motion the stock market slump that began last July. As production schedules leveled off or moved downward, the decline gradually spread, like a chain reaction, from one industry to another.

For three successive months the personal income of the American people has been going down, although most of the drop so far is in "labor" income, and reflects the wage losses from unemployment and the shorter workweek.

Retail sales have likewise shown a downward trend in recent months. As more and more families find their income falling, and millions become apprehensive about their jobs and debts (consumer debt is now at a record high) a lag in sales is not surprising.

Meanwhile, manufacturing and trade inventories are near an all-time peak. As could be anticipated under these circumstances, incoming orders and the unfilled backlogs of many manufacturing concerns, are now declining.

Thus, the immediate outlook is not good.

During the 1949 recession, rapidly rising federal, state and local expenditures and rising automobile sales helped to cushion the decline. During the 1954 slump, booming home construction and rising consumer purchases did the same. Unfortunately, no comparable upward movement in any major area is immediately in sight on the basis of production forecasts.

Housing starts now show no sign of rising appreciably above the level of 1957.

Automobile production — with 800,000 new 1958 models reported to be in dealers' showrooms and overflowing the lots—hardly looks promising for 1958. In fact, industry sources now predict lower sales than a year ago.

Since mid-summer, exports also have been falling.

Furthermore, in the face of idle production capacity, businessmen are revising their plans for new plant and equipment downward. An over-all drop of at least $2 billion—or about 7%—is forecast for 1958. Outlays by manufacturers are already expected to fall 16%. If demand fails to rise very quickly, these totals may well be cut still more. (At the same time, our capacity to produce with more efficient machines and with fewer employees will still be rising rapidly as expansion programs for this year as well as for previous years are finally completed.)

Governmental Outlays

Although total governmental outlays will go up in 1958, there is no indication that the increase now planned will be sufficient to restore full employment and production in the months immediately ahead. The national Administration, although belatedly accelerating defense procurement contracts, apparently will propose an over-all federal budget rise of only $2-$3 billion. At the state and local level, where tax collections are beginning to level off, public assistance costs are rising, and the debt burden is now at an all-time high, we cannot be too certain that public works outlays will continue to rise substantially.

As steelworkers, we have no de-

Continued on page 50

*Address by Mr. McDonald at a meeting of Union Officers, Washington, D. C., January 6, 1958.

An Optimistic View

By MORTON D. MAY
President, May Department Stores Co.

Hopeful 1958 sales prospects are announced by May Department Stores head based on assumption current recession will be no worse than what most economists predict. Mr. May surprisingly finds prices are still firm.

Sales of The May Department Stores Company during the last three months—November, December, and January—on the whole are a little ahead of the same period a year ago, although they are off somewhat in a few areas.

Morton D. May

During the months just ahead, we expect this trend to continue.

In other words, we expect to hold our own as compared with last year in spite of the talk of recession in the economy as a whole. If the predicted readjustment is not more severe nor prolonged than most economists believe, we could show a sales increase.

One of the factors in our sales outlook is that we have two more branch stores than we had a year ago.

Looking back over these last three months we find that our sales were down in November—probably due mainly to bad weather, the flu epidemic and the late Thanksgiving. December sales bounced right back and were surprisingly good — 6.5% above last year.

Our January sales have been running somewhat ahead of a year ago in a number of our store communities, although they are off in a few.

As far as prices are concerned, we find them surprisingly firm, despite reported slumps in some parts of the economy. There seems to have been some over-production in the textile industry, and there is notable softness in prices as these manufacturers liquidate their inventories. On the other hand, while appliance sales are off to some extent, manufacturers have apparently proceeded with caution, and there is no particular softness in the manufacturers' prices.

Our own inventories are in good balance, and we believe we are in a position to take advantage of any soft spots that exist or develop in the next few months.

To sum it up, I would say that we expect our company to ride through this readjustment period rather well, and we expect 1958 to be a good year for us.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. and associates on Jan. 24 offered $5,700,000 of 3½% equipment trust certificates of Great Northern Ry. to mature semi-annually Aug. 1, 1958 to Feb. 1, 1973, inclusive. They were offered at prices to yield from 3% to 3.50%, according to maturity.

The issue is to be secured by 15 Diesel-electric road switching locomotives; 150 covered hopper cars and 250 double sheathed box cars, estimated to cost not less than $7,155,000.

Associates in the offering are: Dick & Merle-Smith R. W. Pressprich & Co.; Baxter & Company; Freeman & Company; Ira Haupt & Co.; McMaster Hutchinson & Co.; Wm. E. Pollock & Co., Inc.; Shearson, Hammill & Co.

Joins Fulton Reid

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Albert G. Imhoff has joined the staff of Fulton Reid & Co., Inc., Union Commerce Building, members of the Midwest Stock Exchange.

With Schirmer, Atherton

(Special to The Financial Chronicle)

NORTHAMPTION, Mass.—John A. Mokrzecki Jr. is now with Schirmer, Atherton & Co., 16 Center Street.

Chicago Bond Club Annual Meeting

CHICAGO, Ill.—The Forty-Seventh Annual Meeting of the Club will be held at the University Club of Chicago on Thursday, Feb. 13, 1958. Cocktails, 6:00 p.m., College Hall; Dinner, 7:15 p.m., Cathedral Hall.

Homer P. Hargrave

H. Gerald Nordberg

F. Newell Childs

The Nominating Committee, Ralph S. Longstaff, Taylor, Rogers & Tracy, Chairman, Andrew M. Baird, A. G. Becker & Co., and Henry W. Meers, White, Weld & Co., has proposed the following Officers and Directors for the coming year:

President: Homer P. Hargrave, Merrill Lynch, Pierce, Fenner & Beane.

Secretary: H. Gerald Nordberg, Dean Witter & Co.

Treasurer: F. Newell Childs, C. F. Childs & Co.

For Directors, the officers and: Woodward Burgert, Harris Trust and Savings Bank; James G. Dern, Smith, Barney & Co.; Fred W. Fairman, Jr., Bache & Co.; Sampson Rogers, Jr., McMaster, Hutchinson & Co.; F. Girard Schoettler, Wayne Hummer & Co.; George R. Torrey, McCormick & Co.

The Club will furnish facilities for those wishing to play cards after dinner.

Reservations should be made with F. Girard Schoettler at Wayne Hummer & Co.

Private Credit Will Continue To Spark Our Nation's Progress

By JOSEPH C. WELMAN*
President, American Bankers Association
President, Bank of Kennett, Kennett, Missouri

ABA head challenges Federal Reserve officials to make known their views with respect to reform of member bank reserve requirements, which he claims are in general agreement with those of the ABA, in order to allow timely Congressional action with subsidence of inflationary pressures. Mr. Welman opines present requirements have long been recognized as unfair and obsolete, and that the percentages today are excessively high and "will have to be reduced over the years ahead if the banks are to accommodate our economy's long-run growth needs for additional credit and money." Reviews ABA's Economic Policy Commission reform plan, discusses banking's role in the over-all national economy, and calls for fiscal sanity and reliance upon market forces without inflationary environment.

It has long been recognized that the present reserve provisions for Federal Reserve member banks are unfair and obsolete. Furthermore, it is clear that the reserve percentages in effect today are excessively high and that they will have to be reduced over the years ahead if the banks are to accommodate our economy's long-run growth needs for additional credit and money.

Joseph C. Welman

The reserves plan published last year by A.B.A.'s Economic Policy Commission offers a sound and workable solution for these difficult problems. To my mind, it is one of the most constructive and forward-looking proposals which organized banking has put forward in many years. Briefly, it calls for eventually reducing of reserve percentages to 10% for demand deposits and 2% for time, with these requirements to be made uniform for all member banks. The Federal Reserve Board would be empowered to vary the reserve requirement for demand deposits over a range of 8 to 12% under unusual conditions. Finally, vault cash would be counted as part of required reserves. These changes would be put into effect gradually over a period of years, with the timing left to the discretion of the Reserve authorities.

I might add that the reserves project was undertaken with encouragement of top Federal Reserve officials. In the past, one of the chief obstacles to reserve reform had been the difficulty of getting bankers themselves to agree on what should be done. The A.B.A. set out to design a plan which would be acceptable to bankers and would also clearly serve the best interests of the monetary managers and the general public. We believe that our plan meets those tests. It deserves the enthusiastic support of our entire membership.

Federal Reserve Agreement

The Federal Reserve Board has had our plan under active study for some time. It can be said, I think, that Federal Reserve officials are in general agreement with us on many of the basic features of the plan. As yet, however, we have no official indication as to whether the Board will endorse our proposals or whether it will advance alternate proposals of its own.

It is our earnest hope that the Federal Reserve will soon make known its views so that any points of disagreement may be ironed out and a suitable legislative proposal laid before the Congress at the earliest appropriate time. With the subsidence of inflationary pressures, an opportunity may soon be presented to get started on a systematic program of reserve reduction and reform. Action along these lines already is long overdue and should not be postponed much longer. The sooner we can get the necessary enabling legislation on the books, the better.

It is hardly necessary for us to be reminded that the past few weeks have given Americans cause for sober thought. While Sputnik I and Sputnik II still circled the globe, Vanguard sputtered; and the whole world since has been asking whether one kind of economic and social system has gained superiority over another. The reaction of the American people and their friends abroad has ranged from disbelief to shock, amazement, disappointment, and disgrace. Now that the initial impact of these developments on a scientific front has been absorbed, they might be viewed as a Pearl Harbor—an unexpected defeat in a significant battle between ideologies and economic systems, but at the same time a challenge to prove once again our ultimate economic and scientific supremacy.

Certain it is that this latest phase of the struggle between the Free World and the Iron Curtain has given a different perspective to the economic and financial climate. I am sure that in the next two days this Conference will hear frequent reference to the new challenge, both from the platform and in the corridors. I shall leave to the other speakers the job of talking in detail about credit conditions and the outlook for 1958, and shall devote my brief remarks to my views on the meaning of the challenge of "Sputnik versus Vanguard" for this Conference.

The economic picture is uncertain. We are in a business situation today in which the basic concept of our economic system is being tested. It is the concept of the free market—in which men and their institutions are given a broad latitude for individual decision. It is a market in which forces of supply and demand are allowed expression. So—after an extended period of expansion—we find ourselves today in an uncertain economic picture in which market forces in important sectors are introducing a correcting influence, despite the fact that the basic pattern is one of economic growth and technological progress.

Democratic Finance

Some 1,000 bankers from almost every state participate in the process of democratic finance. How different it is behind the Iron Curtain! We could travel from a Polish border to the far reaches of Siberia searching in vain for a Soviet Credit Conference, or even for bankers as we know them. In the Soviet way of doing things, banking and credit merely constitute, in essence, a system of bookkeeping. The plan is decided upon by the high command, and the books are juggled to carry out its financing.

In contrast, under the capitalist system we have given broad expression to individual decision. Beyond the area of national security, we have encouraged a wide range of freedom for the forces of supply and demand to exert themselves toward a truly competitive environment, technological improvement, and a higher standard of living. At times and in varying degrees in some sectors of the economy this freedom has been invaded, but nevertheless it always reasserts itself as the basic motivation of our way of economic life. Perhaps we could find no better example than in the recent introduction by one of the major companies of a new line of automobiles in a market that is highly competitive and that many consider already saturated. It is said that this company has invested $250 million of new capital in this one venture. Add to this the billions spent annually by the industry to facelift models already very acceptable, and multiply it by the innumerable facets of our consumption pattern, and one can appreciate the driving force of competition in our economy, and its influence toward a rising standard of living for our people.

While the Russians have been concentrating much of their attention on the frontiers of pure science and military power at the expense of needs and desires of human life, we have been preoccupied with making the lives of our people more comfortable. The average American would rather ride in an Edsel than a Sputnik. He has only halfheartedly supported expenditures for national security at the times when the threat of war has subsided, but he has yelled often and loudly for his so-called right to a better standard of living. The ground swell that developed in the Congress for a reduction in government expenditures last year is a manifestation of this fact, and I believe that honest politicians will admit it. For the Russian, there is no such choice.

Production Growth

The growth of production and investment by the private sector of our economy to make personal consumption possible has been a truly remarkable phenomenon of the American postwar economy. Between 1946 and 1956, our total output of goods and services increased from $209 billion to $412 billion. In 1957 it rose further to an estimated $435 billion. If the figures are adjusted to correct for price inflation to show the growth in real terms, then, the increase between 1946 and 1956 was from $290 billion to $412 billion, or a real gain of $122 billion in terms of 1956 prices.

This growth in production came almost exclusively from private enterprise, as real output by government rose only $3 billion while output by the private sector increased $119 billion.

Now let us look at the other side of the production-consumption coin and see how the growth in our national output was absorbed.

About three-fifths of it, or $72 billion, went for personal consumption. Individuals increased their spending for consumer durables by $15 billion, for nondurables by $24 billion, and for services by $33 billion, to make up the total $72 billion expansion in current personal consumption.

In addition, another $16 billion of the growth of output went into new construction; almost $9 billion of that was for residential housing, and the remaining $7 billion was for factories, stores,

Continued on page 48

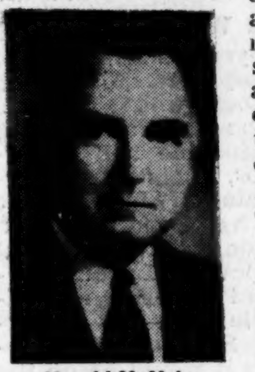
*An address by Mr. Welman before the 10th National Credit Conference sponsored by Credit Policy Commission of American Bankers Association, Jan. 16, 1958, Chicago, Ill.

Some Plus Factors In the Business Outlook

By HAROLD H. HELM
Chairman, Chemical Corn Exchange Bank, New York City

Chairman Helm perceives continued strong demand for bank loans in money centers and small communities at reasonable rates and, while unable to predict the length "of this period of hesitation," describes correcting influences at work in the economy. Refers to need for "strong and vigorous political leadership" and praises Federal Reserve Board's policies and personnel.

We cannot expect all segments of our economy to continue to expand and make new records year after year. Periods of industrial adjustment are not only necessary but strengthening, and a number of our industries have been experiencing just such a condition. The psychological effect of man-made satellites and other world developments has been quite acute and has precipitated an atmosphere of uncertainty. The length of this period of hesitation is still unpredictable, but we can foresee so much demand for further construction from both private and public sources—the latter requiring roads, schools, and other municipal improvements — that we believe this sidewise movement of our economy may well be of short duration. A further correcting influence will come from accelerated defense expenditures and from higher consumption brought about by population increases and by the tremendous savings which have been accumulating at such a quickened pace. Nevertheless, strong and vigorous political leadership is most important in dealing with all the existing current conflicting reactions.



Harold H. Helm

Praises the Fed

The Federal Reserve Board has great powers and the responsibilities in the setting of policies which have deep influences on our economy and especially on the overhanging dangers of inflation. The results of inflation are too often overlooked by the great masses of people who fail to appreciate how it nullifies their efforts to save and accumulate something for a time of need—a loss of 3% in the value of the dollar (another way of expressing the increase in the cost of living) counterbalances the income on a United States Government Bond or savings account. We commend the members of the Federal Reserve Board for their policies and achievements in the program of "leaning against the wind" and in being alert to changing times. Their policies will have a very great influence on general business activity in 1958, and we feel the country is fortunate to have available the experience and courageous leadership of the Board's Governor, his associates, and staff.

Sees Strong Loan-Demand

The banks of the country made more loans in 1957 than in any former year. This means that they have been more useful to business generally and to their individual communities in particular than at any previous time. It would appear that a strong demand for bank loans will continue both in the money centers and in smaller communities. We feel confident that bankers will approach the new year with a keen desire to make their lending facilities as useful and helpful as prudence permits, and we expect that reasonable rates will continue to prevail.

The officers of Chemical Corn Exchange Bank are aware of the many interesting and challenging opportunities which confront us. We refer to the serving of our numerous local neighborhood customers and to our many larger business units both at home and abroad. The financing of substantial foreign trade will require large advances from all New York banks which specialize in the international field.

The Comptroller of the State of New York
as agent of New York State Thruway Authority
will sell at his office at Albany, New York, on
February 6, 1958, at 12 o'clock Noon

$50,000,000

New York State Thruway Authority
State Guaranteed Thruway Bonds
(Sixth Issue)
Principal and interest unconditionally guaranteed by the State of New York

Dated January 1, 1958, and due serially in various amounts from 1985 to 1995, both inclusive.

The Bonds will be subject to redemption by the Authority, prior to their respective maturities, as a whole or in part at any time on and after July 1, 1965, upon certain terms and conditions, including specified redemption prices.

Principal and semi-annual interest, January 1 and July 1, payable at the principal office of The Chase Manhattan Bank, New York.

Copies of the Act and Resolution authorizing the Bonds, Official Statement, Official Form of Proposal, Notice of Sale, and form of opinion of Attorney General will be furnished upon application to The Chase Manhattan Bank, Fiscal Agent, 43 Exchange Place, New York 15, New York.

ARTHUR LEVITT, State Comptroller, Albany 1, N. Y.
Dated: January 28, 1958

Britain's Disinflationary Policy Strengthens Sterling

By PAUL EINZIG

Internationally known British economist again returns to political-economic background of his country in a search for presageful clues regarding anti-inflation outcome. Dr. Einzig declares alternative to Mr. Macmillan's disinflationary program would be Labor Government's avowed inflationary program coupled with physical controls. Expresses guarded optimism about sterling's prospects in view of Britain's refusal to follow recent "reflationary" policies of U. S. A., Germany and Holland, and opposes suggested borrowing to reinforce gold reserve for fear it would end disinflationary efforts.

LONDON, Eng.—

The past week witnessed a revival of strength in sterling and in the gilt-edged market. It is largely attributable to the simultaneous termination of political uncertainties arising from the Bank Rate Leak allegations and from the resignation of Mr. Thorneycroft. The former cause for uneasiness came to an end on Jan. 21 with the publication of the Tribunal's Report, which emphatically stated that there was no improper disclosure of confidential information, and rejected all allegations to the contrary directed against Members of the Government and directors of the Bank of England. Even though the Opposition has every intention of misinterpreting the Report and the evidence in such a way as to make it usable for an attack against bankers and speculators, there is nothing in Tribunal's findings which is likely to weaken the Government's position in the country. Hence the relief that found expression in the firmer tone of sterling and of Government securities.


Paul Einzig

It is even more important that the danger of a split in the Conservative Party resulting from Mr. Thorneycroft's resignation is now definitely past. It is true, Mr. Thorneycroft and the two junior Treasury Ministers who resigned with him feel very bitter and critical towards the Cabinet for its failure to back up their economy drive. They have a very considerable following both in Parliament and in the country. But Mr. Thorneycroft's resignation speech on Jan. 23 made it absolutely clear that he intends to remain a wholehearted supporter of the Government. Indeed, largely as a result of his speech, a Motion of Confidence was passed by an unusually large majority.

This does not mean that Mr. Thorneycroft and those who share his views will not criticize the new Chancellor of the Exchequer if he does not display sufficient zeal in keeping down expenditures. Judging by the statesmanlike tone of Mr. Thorneycroft's resignation speech it is safe to take it for granted, however, that there can be no question of any "revolt" similar to the one staged by seven Conservative Members of Parliament who had expressed their disapproval of the withdrawal from Suez by resigning from the Conservative Party and by occasionally abstaining from supporting the Government with their votes. No matter how critical Mr. Thorneycroft and his supporters will be of the inadequacy of the economic drive, they are certain to give the Government their full support on every occasion when such support is essential. This means that even if the Government should lose a few by-elections it would retain a safe and dependable majority in the House of Commons.

Socialists Want Inflation

Mr. Thorneycroft's attitude, and that of his supporters, in voting for a government whose financial policy they consider inadequate is perfectly reasonable and understandable. For, in his speech during the debate on Jan. 23, the Leader of the Opposition, Mr. Gaitskell, made it quite clear that on assuming power a Labour Government would embark on a policy of economic expansion regardless of costs. Such a policy, superimposed as it would be on the existing inflationary background, would greatly accelerate the pace of inflation.

This means that even though Mr. Macmillan's Government does not go as far towards budgetary economy as Mr. Thorneycroft would like them to go, the alternative resulting from a defeat of the present Government, would be the complete abandonment of any effort to resist inflation. The declared policy of the Socialists is to disguise growing inflation behind a screen of physical controls. Both Mr. Gaitskell and the prospective Chancellor of the Exchequer in the next Labour Government, Mr. Harold Wilson, reaffirmed their intention to do away with the credit squeeze and replace it by import restrictions to prevent domestic inflation from affecting the balance of payments. They refuse to see that such a policy is bound to prove to be futile in the long run as indeed it proved to be futile under the Labour Government from 1945 to 1951.

Socialists fail to realize that inflation would be inevitably detrimental to exports not only because prices of many goods would cease to be competitive abroad but also because inflated domestic demand would divert goods from exports to the domestic markets. This means that in spite of import controls the balance of payments would be gravely affected, especially as there is a limit beyond which the import of food and raw materials could not be curtailed. Before very long, too much money would be chasing too few goods, and in order to ensure a fair allocation of the inadequate supplies domestic controls over raw material allocation and rationing of foodstuffs would have to be reintroduced.

There seems to be no acceptable alternative to the policy of disinflation pursued by the Government. If it is open to criticism it is on the ground that it does not go far enough. It has actually produced some impression on wage claims which are no longer pressed with the same vigor as before. There has been no supreme test case so far as the trade unions do not appear to be keen on bringing matters to a head. They show an unusual degree of willingness to submit their claims to arbitration or conciliation. Provided that the new Chancellor of the Exchequer, Mr. Amory, succeeds in convincing them that he would be no less tough than his predecessor had been, there is some hope that excessive demand would not be pressed unduly. On that ground alone there is now justification for some degree of guarded optimism.

Optimistic on Sterling

An additional ground for confidence in sterling is the growing evidence of a return to cheap money in other countries. During the past week there were bank rate reductions in the United States, Germany and Holland. A contrast between the reflationary policies indicated by these changes and the continued disinflationary policy in Britain justifies some optimism regarding the prospects of sterling. Needless to say, depression in the commodity-producing countries of the Sterling Area, combined with business recession in the United States, is liable to affect unfavorably the Sterling Area gold and dollar reserve. Provided, however, that domestic inflation is handled effectively Britain has no cause to be unduly pessimistic about the outlook.

Opposes Large Loan

The temptation to take the line of least resistance remains, however, as strong as ever. In his annual chairman's speech to the shareholders of Lloyds Bank, Sir Oliver Franks put forward the proposal of a large international loan for the purpose of reinforcing the gold reserve. Such a solution would surely mean the end of the disinflationary efforts. Were it not for the fear that the sterling crisis would return next Autumn the Government would have relaxed its disinflationary drive as soon as sterling rose above parity and as soon as the outflow of gold became reversed. Such disinflationary efforts as it would maintain would encounter increased resistance by those who, being incapable of seeing beyond their nose, would prefer to enjoy the fruits of the false security conveyed by the appearance of thousands of millions of borrowed dollars in the monthly statements on the gold and dollar reserve. Given also the insatiable appetite for dollars of the Sterling Area countries, it would not take long before the easily acquired dollars would become easily depleted, in the same way as the proceeds of the dollar loan of 1946 were depleted.

It is to be hoped that, should the British Government yield to the temptation, its policy of continuing inflation on borrowed money would be frustrated by the refusal of the United States to lend itself to assisting in such a solution which would be highly detrimental to the general interests of the British people.

E. R. Bell Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Oliver K. Wright has been added to the staff of E. R. Bell Co., 4627 Wornall Road.

With McDonald, Evans

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Harry O. Gray is now connected with McDonald-Evans & Company, 1009 Baltimore Avenue, members of the Midwest Stock Exchange.

Joins Weltner Staff

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Paul Clark has joined the staff of A. E. Weltner & Co., Inc., 21 West Tenth Street.

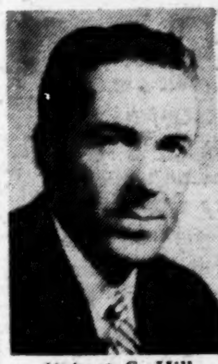
A. G. Edwards Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Paul Ullman Jr. has become connected with A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges.

NASD Announces District Elections

In recent local NASD elections, Robert J. Hovorka, Vice-President, The First Boston Corp., Chicago, was selected Chairman of District Committee No. 8, succeeding James G. Dern, partner, Smith, Barney & Co., Chicago. Robert H. O'Keef, President, The Marshall Co., Milwaukee, was elected Vice-Chairman. The district consists of the states of Illinois, Indiana, Iowa, Michigan, Nebraska and Wisconsin.




Robert C. Hill — Robert J. Hovorka — Bernard F. Kennedy — Edwin C. Callan




N. T. Masterson, Jr. — Robert H. O'Keef — Clinton C. White — Wm. H. Claflin, III

In District No. 6, comprising the state of Texas, Neill T. Masterson, Jr., partner, White, Masterson & Co., Houston, was elected Chairman to succeed William G. Hobbs, Jr., partner, Creston H. Funk, Hobbs & Co., San Antonio.

Clinton C. White, partner, Piper, Jaffray & Hopwood, Minneapolis, was elected Chairman of District Committee No. 4, consisting of the states of Minnesota, Montana, North and South Dakota. He succeeds James S. Graham of Allison-Williams Co., St. Paul.

NASD members in District No. 14 elected William H. Claflin, III, partner, Tucker, Anthony & R. L. Day, Boston, as Chairman to succeed Frederick H. Foster of Lee Higginson Corp., Boston. The district comprises the states of Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.

Bernard F. Kennedy, partner, Bosworth, Sullivan & Co., Denver, was re-elected Chairman of District Committee No. 3 consisting of the states of Arizona, Colorado, New Mexico, Utah and Wyoming. William E. Sweet, Jr., of Peters, Writer & Christensen, Inc., Denver, was re-elected Vice-Chairman.

Robert C. Hill, executive Vice-President, Hill, Richards & Co., Los Angeles, was elected Chairman of District Committee No. 2, succeeding Richard Lawson of Lawson, Levy, Williams & Stern, San Francisco.

Edwin C. Callan of Mitchum, Jones & Templeton, San Francisco, was elected Co-Chairman, succeeding Robert Revel Miller of Revel Miller & Co., Los Angeles.

District No. 2 comprises the states of California, Nevada and the territory of Hawaii.

State Banks Urged to Join State Bank Supervisors Organization

State bankers are invited to become associate members of National Association of Supervisors of State Banks and support newly created Washington, D. C., office in order to help preserve dual banking system.

In a letter now mailed to all State chartered banks, savings banks, and trust companies in the United States, the National Association of Supervisors of State Banks is inviting them to become associate members of its organization. Their financial support is asked for the Washington Office of the Association which is being established at Munsey Building, 1329 E Street, N.W., Washington 4, D. C.

A pamphlet explaining why the State banking institutions will find it to their advantage to back the new venture accompanies the letter. "Why is Such an Office Necessary and Why Should the State Banks Support it?" asks the pamphlet and then proceeds to answer this inquiry. "The State system of banking . . . can be preserved only if those interested in its success join forces to resist the constantly increasing encroachment on its prerogatives by the Federal Government." With minor exceptions "every State bank in the nation is already subject to Federal regulation either by the Federal Reserve System or the Federal Deposit Insurance Corporation. If ever the State supervision weakens or abdicates, one of these Federal agencies is ready and willing to supplant it. Such an eventuality would take away from every bank its present freedom of choice to operate in the State system or in the National system. It could result in supervision that would become arbitrary and less responsive to the banking needs of the nation."

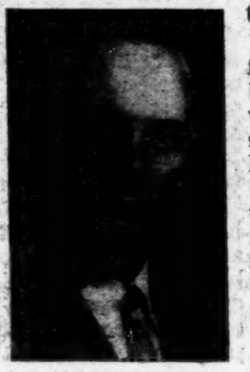
"It is time," the pamphlet continues, "for the advocates of the State banking system to see that its members have equal facilities" with those of the Federal agencies "which are centered in Washington with representatives in every state and territory who are kept constantly advised as to the latest developments at Washington."

Overcoming Points of Friction In Inter-American Ties

By H. W. BALGOOYEN*
Executive Vice-President, American & Foreign Power Co., Inc.
New York City

Newly elected Chairman of the United States Inter-American Council reviews exciting battles of free enterprise groups in resisting socialistic and extreme nationalistic onslaughts at past plenary meetings, and the "sore points" of friction caused by American and Latin American practices. Mr. Balgooyen trusts U. S. I. A. C. will awaken American people to the importance of their inter-American ties, and acquaint them with Latin American economic problems and of their attitudes toward our economic policies. Calls for faith in long-term future of Latin America and warns against trade policies that result in exporting our ailments to our Latin American friends.

The first plenary meeting of the United States Inter-American Council which I attended was the one held in Chicago in 1948. Perhaps a review of what transpired at that meeting and others that followed will be of interest and help to answer some questions. Prior to the Chicago meeting, the Council plenaries had been friendly gatherings of business leaders from a few of the important countries, who listened more or less attentively to each other's speeches, discussed mutual problems and enjoyed the sociability of the occasion. The fine art of resolution writing was still in its infancy and our Latin American friends had not yet convinced us that resolutions were absolutely necessary. And so the American delegation arrived at the Chicago meeting replete with speeches, abounding with goodwill and completely *sans* resolutions. We hadn't appreciated, or reckoned with, the cumulative impact of the New Deal, the United Nations, the heresies of Dr. Keynes, the Foreign Aid Program, the dawning realization that most of this world was underdeveloped and the belief of many economists, educators, and even businessmen that it was up to Government — any goverment or every government—to do something about it. But this was to be a different kind of conference—the prototype of several which were to follow.



H. W. Balgooyen

Many may remember the Chicago conference, the meeting two years later in Santos, and the 1952 meeting in Lima, each of which was characterized by the same sort of fundamental conflict between the philosophy of free, private, competitive enterprise and the ultra-nationalistic and socialistic philosophy of economic autarchy and statism. The publicity and propaganda emanating from the petroleum expropriations in Mexico; the election of labor governments in Great Britain and Australia; the rise of Peron in Argentina and his promulgation of a new constitution containing the infamous Article 40 which proclaimed that all public services belong to the State; the Bolivian expropriations; and, most of all, the prevailing trends in education and economic theory, had a tremendous impact throughout Latin America as, indeed, they had in our own country; and this was reflected in the speeches, the discussions, the debates and the resolutions of our plenaries. The acrimonious nature of some of the debates, and the exhausting task of pounding out resolutions which would afford some measure of encouragement and protection to free enterprise and private investment in Latin America, made many of us wonder whether all the effort was worthwhile.

Perhaps the low spot in the fortunes of the IAC was reached in 1952 at the Lima plenary, to which the Peron government had sent a hand-picked group of alleged businessmen with the deliberate objective of embarrassing the United States, causing trouble for United States' investors, and making the IAC a sounding board for the Peronista brand of national socialism. The Argentine delegation got its instructions daily from the Argentine Embassy. Its resolutions, its speeches, its every decision and act were dictated by the Peron government. As this crucial meeting got under way, it was apparent that the ultra-nationalistic ideas of the Argentine group had some support in other delegations and, had the Peronistas not overplayed their hand with the bitterness of their attacks on the United States and on countries friendly to it, and with their obvious desire to dominate the meeting, the cause of private enterprise in the Americas could have suffered a most serious setback. It was only by the narrowest of margins that we emerged with resolutions that could be considered at all acceptable to the private business organizations that we represented in the United States; and we were agreed that one more meeting of that nature would mean the end of the IAC as a hemispheric organization.

The Turning Point

The sharp lines drawn at Lima between statism and economic freedom served to unite the free enterprise forces in the IAC as never before in their determination to resist all efforts by government to dominate, control or intervene in private business enterprise. Practical businessmen, who had not thought too deeply about the fundamentals of the free economic system which had given them their livelihood, who had not understood the close relationship that exists between economic theory and political action, and who had been content to delegate to others the responsibility for formalizing and defending their positions on economic issues realized that, henceforth, they must think and act for themselves. They had learned that the forces of socialist reaction recognize no national or industrial boundaries; that they will relentlessly pursue any advantage; and that it is not pertinent to ask for whose business the bell tolls because, when the bell of socialism tolls for one, it tolls for all.

The awakening of the free enterprise forces at Lima; the example of the vigorous expansion of the Peruvian economy when freed from the shackles of government controls; the collapse of the absurdly nationalistic economy of the Argentine; the communist debacle in Guatemala; and the impressive gains being achieved by Mexico under an administration dedicated to the furthering of free enterprise — all formed part of the background for the more successful 1954 plenary meeting of our Council in Mexico and the highly successful plenary in Buenos Aires last July. The success of the Mexico meeting, however, was achieved only after long hours of debate over a series of resolutions emanating from the Economic Commission for Latin America which had a superficial appeal to the nationalistic sentiments of some delegates, but were not in harmony with the principles and practices that activate a free economy; and the resolutions finally approved did not posses the forthright clarity of expression that were to distinguish those of the more recent Buenos Aires meeting.

All of us who attended the Buenos Aires plenary were thrilled by the spirit of solidarity that existed among all the various groups represented there. No traces remained of the confused economic thinking and the divisive rivalries of the Chicago conference; there was none of the prolonged argumentation between practical businessmen and academic theorists that characterized the meeting at Santos; the bitterness and the political overtones of the Lima meeting were gone; no resolutions were presented by United Nation's spokesmen; and the meeting resulted in as fine a set of economic recommendations as has ever come out of an Inter-American conference.

The Buenos Aires plenary furnished convincing proof that the IAC had come a long way. The Argentine, Brazilian, Mexican and Peruvian delegations were even more forthright and uncompromising than the USIAC in their support of private enterprise, and in their opposition to system of state planning and ownership of the means of production. Here was an outstanding group of experienced business leaders, representing the most important trade and financial interests of an entire continent, that was able to speak, and did speak, with one voice in support of sound economic principles. Here, also, was a group of younger businessmen, economists, and government advisors who had turned their backs on Keynsian economics, on statism, and on the excesses of misguided nationalism; who appreciated and welcomed the contribution of private foreign investment to the economic development of their countries, who recognized the perils of inflation, and were willing to take their stand against fiscal irresponsibility and monetary chaos. Here was hope, indeed, for the future of private enterprise in the Americas!

Perhaps I have dwelled overlong on the record of the past plenaries of the Council, but I believe that they do provide a measure of the success of the free enterprise groups in this hemisphere in resisting, alike, the spurious attractions of socialism and extreme nationalism, while developing a positive set of principles for the achievement of sound and lasting economic progress. Those of us who have been privileged to attend a series of these plenary meetings and have witnessed their evolution as the authoritative and unified voice of sound business opinion in this hemisphere, would agree wholeheartedly with the statement of one of our members that if the USIAC did nothing but play an active role in these plenary meetings at two-year intervals, the organization would be worthy of support.

Must Convince Majority

But this is not, and should not be, the sole function of the Council. It is not enough for business leaders to be aware of the difference between sound and unsound economics, and to be placed on guard against the encroachments of statism. Businessmen are a minority group. There was a time when this minority group exercised an influence out of proportion to its numerical strength but, in most countries, that time is past and gone—perhaps forever. This means that an enlightened body of business opinion can make little impression on economic policy or on political action unless business can sell its ideas and its program to other opinion groups; and on its ability to do this will rest the success or failure of the IAC.

I believe that the most important function of the IAC is to serve as a liaison between the businessmen, and, in case of need, the governments of Latin America and the United States respectively. The USIAC, for its part, should strive to keep the United States Government and the American public continuously informed as to the attitudes, the requirements and the aspirations of our counterparts in Latin America, just as the various national sections in Latin America should keep their governments and peoples informed regarding the requirements and objectives of United States business enterprise. Our first concern in the USIAC, therefore, should be the development in this country of an informed public opinion concerning Latin America, aware of its primary importance as a business partner in time of peace, and an indispensible supplier and ally in time of war or national emergency.

It would be a waste of my time to recite foreign trade statistics to a group as well informed as this one. We all know that Latin America is the most important source of United States' imports —particularly essential raw materials—and is the chief recipient of our foreign investments. These are tangible facts of our economic life. Not so tangible, but none the less real, are the ideological and spiritual ties that bind us to the peoples of Latin America.

In a recent speech, one of our esteemed trustees, the Honorable Spruille Braden, commented on the essential solidarity of the Americas and the reasons for it. He then made the very significant statement that "this solidarity of our peoples, based on dignity, freedom and mutual respect, makes us the only nations on the face of the globe that, in an emergency, may have full trust and confidence in one another." I believe that this is well worth pondering. Certainly, we should retain and strengthen our alliances with nations of the Old World; but, within the short span of a generation, we have seen several of our friends transformed into enemies and our enemies changed into friends. I hope and believe that some of our present

Continued on page 51

*An address by Mr. Balgooyen before the United States Inter-American Council, New Orleans, La., upon election to Chairman of the Council.

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THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market was given to inconclusive meandering again this week after the industrial average briefly had nudged through the November recovery high without setting off a rush for stocks that had been anticipated. The penetration, by a narrow margin, might have been chilled by a disposition to wait on the earnings reports to see how bad the final quarter of 1957 really was before taking a firm stand on specific issues.

* * *

That there will be some bad news in coming weeks is both generally anticipated and was reflected starkly by various dividend actions including cuts by Hudson Bay Mining, American Smelting, and a few others, and by outright omissions in a few cases including the surprise deferral by Foster Wheeler.

* * *

Against this background the more surprising aspect of the market was its ability to hold around its peak without any drastic selling to be absorbed.

Tobaccos Cancer-Jolted

Tobaccos, however, which had countered the trend throughout the late selling last year, were jolted by a new British report linking cancer and cigarets and the profit-takers moved in swiftly to protect their gains, giving the stock some rough moments. Incidentally, this group, except for Reynolds Tobacco, didn't reach historic highs during the big bull swing that began in 1949.

* * *

Otherwise the favored items more often than not were found in the fixed income group where good yields prevail, or in issues like Corn Products that have been stalemated for years. Corn Products, in fact, has held in an unusually narrow range ever since it was split in 1955. It posted a low of 26 in 1955, sold as low as 28 last year and only this week finally broke through the 1957 peak of less than 35, so the new shares have yet to widen their range to a full 10 points.

Sentiment Still Bearish

Over-all sentiment was still bearish by an overwhelming majority. It was conceded that some reason could spark a near-term show of strength but there was considerable difference of opinion whether it would top out around 460, not too much higher than current levels, or whether there was enough basic strength to reach the 480-490 area. And even those conceding that a brief period of rallying tendencies was possible didn't look for any more than an intermediate recovery, followed by new easiness around tax time in late March and early April; or if it is delayed beyond that time, in late April when the first quarter reports will be emerging.

Convalescent Rails

Rails for a change weren't the sickest spots in the list and a few comforting figures were presented by some of them, notably Northern Pacific's two-cent improvement in 1957 earnings over the previous year, and Southern Pacific's one-cent improvement, when the general pattern was for sharp declines in the profit. Northern Pacific, however, has interests ranging far from railroading alone, including a couple of million acres of potential oil land and important timber holdings. In line with the general slump in rail equities, Northern Pacific now is available at a trim of some 25% from its high and offers a 5½% yield.

* * *

There wasn't too much grist around for the aircraft-missile makers although a few were heavy when setbacks occurred such as Martin Co. which was given to a new sinking spell when attempts to get another Vanguard going were unsuccessful. Martin is prime contractor for this one. There was little speculation over the size and scope of future operations in the expanded missile program.

Missile Lineup Confusing

Then, too, the missile lineup was getting confusing. General Tire's subsidiary, Aerojet General, which is a big factor in such work, was also in league with Stauffer Chemical in a new joint concern called Stauffer-Aerojet to explore the boron fuel field. Thiokol Chemical, already linked with Callery Chemical, is now on the verge of being taken over by Reaction Motors which is 50% owned by Olin Mathieson. Grand Central Rocket Co., which has also emerged as an important missile company, is slated to have a major interest in it acquired by Tennessee Gas Transmission. All of which makes it hard for even seasoned analysts to figure out where the best profit possibility exists.

* * *

Oils weren't in much general demand although a few kind words were directed at Royal Dutch, mostly because its current financing had depressed the stock from last year's high of above 60 to around 38. Moreover, foreign securities have been anything but popular except with the most erudite investors, and the usual reference to Royal Dutch has been of the "better value than Standard Oil of Jersey." It is, in fact, second only to Jersey Standard in its far flung operations.

* * *

Despite the setback given the cigaret issues, they were in good standing with many of the market students, both because some good profit news for 1957 is due plus bright prospects for this year. Lorillard, which has been successful with its Kent filter-tip item, is expected to improve 1957 earnings by nearly $2 a share over the $1.34 it reported in 1956.

* * *

Moreover, the company recently brought out an improved, new Old Gold and with the help of this new item is expected to push this year's sales "far ahead of last year's record figure," as one source put it enthusiastically.

* * *

Philip Morris with a yield of well into the 6% bracket is expected to report record sales for 1957 and an improvement of nearly 10% in earnings and go on from there to more impressive achievements this year. Here again, one source enthusiastically reported that the company for 1958 "could have an exceedingly profitable year." Such confident expressions are unusual when the market is largely stalemated, the general feeling bearish and caution the keyword.

Utilities Still Forging Ahead

Utilities were generally in mild demand and it was not unusual for the utility average to forge ahead quietly while the general market was milling around aimlessly. There was some preference for the companies that operate in areas where population growth and industrial expansion were proceeding at an above-average clip, such as the West Coast and Southwestern companies. Southern California Edison, clipped a bit profitwise last year by poor water conditions that hampered low-cost output, was somewhat laggard since a trim of something less than half a dollar in 1957 results is anticipated. But for 1958 better hydro operations and recent rate increases will bolster results and the stock is a candidate for a moderate improvement in its dividend. The present payment offered a yield of around 4¾% at recent price levels.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

Two With Milius

(Special to THE FINANCIAL CHRONICLE)

CLAYTON, Mo. — Thomas J. Dixon and Anthony J. Pod have joined the staff of William B. Milius and Co., 101 South Meramec.

Looking Back and Forward

By EDWARD T. McCORMICK*

President, American Stock Exchange

American Stock Exchange head is certain that within a year the recession will lift without our experiencing a depression. States our economy is fundamentally sound and, though there will be industry adjustments, the financial outlook over the next several years is extremely promising. Weighs the effect of defense spending and believes it is wishful thinking to expect substantial tax load reductions. Enumerates present built-in safeguards which together with national economic controls and new financial circumstances are said to militate against any "1929 . . . in the making."

Despite the fact that 1957 was a prosperous year for our national industrial economy when measured against the historical averages, it left much to be desired for those of us in the securities industry. What with sputniks, muttnicks, restrictions of credit, reduction of buying orders, and consequent loss of general securities business volume, we found, in 1957, very few matters to cheer about.

E. T. McCormick

But what I want to discuss is that there is good reason for changing in some measure the expression on our figurative deity that looks ahead to 1958 and the years to follow.

I confess that I don't possess any specially constructed crystal ball that allows me to see in the future what is not evident to all of you. Perhaps because of this I should refrain from any attempt at prophecy in accord with the sage advice of James Russell Lowell that you should, ". . . never say nothin' without you're compelled to, an 'then don't say nothin' that you can be held to," but, bullish as I am on the long-term future of this great country, it is difficult to refrain from expressing my convictions. As I have stated on many occasions in the past six months or more, I believe that we will not have a depression; that the economy of the country is fundamentally sound and, that while there will be adjustments in industry, the financial outlook over the next several years is extremely promising. As a matter of fact, many of the adjustments we have experienced and will experience in the near future, are the consequence of acts which most of us on careful analysis would have to agree are sound and necessary for long-term economic stability and prosperity.

Need Psychological Boost

I firmly believe that what we need in this country at the present time is a psychological boost. There is a need for national optimism. I say this because in travelling about in business and in other circles, particularly in the past six months, I have noted an extraordinary number of long, dour faces on the business scene: the harried appearances of a growing number of pessimists who have come to the conclusion that our economy is skidding and that a severe reaction or a depression is in prospect.

I, for one, must say that I heartily disagree with these prophets of calamity. I am no "Pollyanna," who protests that there is nothing to be concerned about, but it is my view, that there are sound reasons why we can, over the next several years, look forward with reasonable confidence to an era of economic prosperity.

No "1929 in the Making"

I do believe, obviously, that no "1929" is in the making. Our national economic controls and new financial circumstances militate against any such dismal conclusions. We have only to enumerate our present built-in safeguards, which were absent 25 years ago, to recognize the validity of this conclusion. Take, for example, insured bank deposits and insured savings and loan accounts; farm price supports, unemployment insurance, social security, flexible Government money-management, long-term home mortgages with amortization provisions, and last, but not least, the factors of Government spending and the Government commitment of full employment.

I do not mean to intimate that I expect the present recession to end and the boom to start again next week or in the next few months. But, I feel certain that by this time next year you will have had ample cause for rejoicing.

The big question that confronts us at this time is not whether we will have a severe depression, but whether we can live in a state of total cold war, or rather wage total peace, and still have prosperity.

We, in the securities business, in common with all of our other citizens, have now posed before us the problem of adjusting to an extended period of expensive, constant preparedness. Our present national task is to continue, in the protracted period of international tension that lies before us, a program of supplying missiles and guns for our military forces, butter for our people, and military and economic assistance for our allies, so long as they may require it.

This country is now engaged in running the biggest business the world has ever seen, branching out not merely throughout our own 48 states, territories, and possessions, but to all corners of the world. The variety, complexity and cost of its present functions could not have been conceived of by economists in any previous generation. At times, I doubt they are fully appreciated by economists in our own generation.

To run such a business successfully and to make the momentous policy decisions required not only on a National but on an international level as well, requires more than ordinary ability, more than ordinary thought, more than ordinary effort, and, at times, more than ordinary courage.

And, I wish to make special reference to those complicated and weighty decisions as to future fiscal policy which comprise only a part of the massive burden that must be borne of this Nation.

Taxes and Spending

Our proposed "plowshares into missiles" budget for the coming 1959 fiscal year represents a staggering $74 billion. And there doesn't seem to be any real prospect of reduction, but rather an

Continued on page 52

*An address by Mr. McCormick before the Syracuse Bond Club, Jan. 20, 1958.

A Matter of Heart and Spirit

By BENSON FORD*

Vice-President, Ford Motor Company, Dearborn, Mich.

Ford Vice-President suggests present state of our general economy is creating a great deal more apprehension and nervousness than is warranted. Refers to Ford studies indicating no economic factor that warrants pessimism or fear; warns fear itself can be a dangerous psychological factor; and advises keeping fear from taking hold. Calls attention to latent spending power waiting to be tapped, and construes the main economic determinant to be the feeling and beliefs of the American family about future and willingness to spend.

The present state of our general economy, it seems to me, is creating a great deal more apprehension and nervousness than is warranted or desirable. We are, to be sure, experiencing a decline in general business activity, and this decline is having a disproportionate effect on the sale of automobiles. But what too many people tend to forget is that we have been through such pauses before, and then gone on to push the economy and the American living standard to the next higher notch.

Benson Ford

Since the end of World War II our whole economy has been operating from a position of strength; it has been buoyed up by growth influences that are only beginning to make themselves felt. I don't have to tell you what they are. You have been hearing about population growth, about the demand of people for higher living standards, better schools and roads, more recreational facilities and more leisure time to use those facilities. You have seen the widespread industrial expansion of the past decade, and watched the beginning of the payoff from such new technologies as electronics, automation and atomic energy.

Key Point to Remember

But the key point to remember is that although our economic progress has been remarkably steady, it has not been immune to occasional pauses and ups and downs. Each time a pause came there have been cases of fearfulness and doubt, of prosperity jitters. But thus far, the worst fears have never been realized. Instead, these pauses have proven to be a wholesome time of readjustment—a sort of shifting into second gear when the pace was getting a little too fast.

We at Ford find nothing in the short run situation today that alters the basic economic factors that counsel intelligent optimism. There is no economic factor that warrants pessimism or fear. But fear itself can be dangerous because it is contagious, and if we as a people lose confidence in our ability to maintain a prosperous economy, we could frighten ourselves into trouble.

Between August and November total employment in the country declined about 1%, and the purchasing power of total wages and salaries dropped about 1½%, after allowing for slight price increases. Other forms of personal income except agricultural, were virtually unchanged.

Now a 1½% decline in total purchasing power is unpleasant, to be sure. But it can't be called serious in terms of the total economy. The present decline has reduced the buying power of only a small percentage of consumers.

It is only natural that people with reduced incomes should be postponing new car purchases. But there is some evidence that many who have not been hurt are sitting back, waiting to see which way the economy will turn before they venture into the market place. If more and more people get nervous and back away, trouble could follow.

Prevent Cumulative Decline

The problem in any decline is to prevent it from becoming cumulative, to keep a fear psychology from taking hold. Maintenance of consumer spending is important. For a decline in spending means a lower level of income which generates an even lower level of spending and so on in a vicious cycle.

To turn around a decline, an increase in spending is necessary. Fortunately, there is latent spending power in this country to be tapped. Through October, 1957, individuals were adding to their liquid asset holdings. Savings accounts are at record high levels. All the evidence indicates that most people have money to spend and are in a good credit position.

So far as automobiles are concerned, there are economic factors that could make 1958 an even better year than 1957. First of all, the customers are there. Indeed, since there will be 900,000 more maturities of new-car credit contracts this year than last, there ought to be a good many more customers than last year.

Latent Spending Power

Second, as I just indicated, these customers have money and sound credit.

It seems to me that the major problem for all of us is that of selling confidence in the future of the American economy. It is up to all of us to get out and pump a greater confidence and optimism into the automobile market. We've got to get out of our dealerships and go prospecting for those uncertain customers and take them by the hand and lead them into our stores. Then we have got to sell them not only on our products, but also on the shining future that lies before us all.

Basically, our economic health is sound. But if we give way to hypochondria, we could talk ourselves into real trouble. For our prosperity depends upon much more than fulfilling the basic needs of our people. It depends upon creating and developing their wants, and satisfying those wants.

Because they live so far above a mere subsistence level, the American people do not have to buy cars and refrigerators and washers and all of the other products of our abundant economy. If they get the impression that things are not going as they should, if they get scared, then they could very well sit tight and hold on to their money. And it's a pretty safe bet that the consuming public is going to take its lead from the business community. If we start to retrench and pull in our necks, then Mr. Consumer is going to do the same thing. But if we throw away our thermometers and fever charts and pill bottles, and step forward confidently into the bracing, vigorous air of our competitive economy, then the consumer is going to come right along with us.

Main Determinant

The main determining factor in our future is what the American family believes, how certain it feels of the future, and how willing it is to spend the money it actually has to spend. And how the American family will feel is largely up to you and me and others in the business community. The job of maintaining faith in the future of America is largely a selling job. It's a selling job that's the personal responsibility of every American businessman, no matter what line he's in, or what role he plays in business.

Part of the job is a matter of heart and spirit—of taking the rough places in stride, of keeping our eyes on the bright promise of the future, of brushing aside negative, faint-hearted thinking and meeting a more challenging market by more vigorous and confident action—by selling the American future long, and by selling it hard.

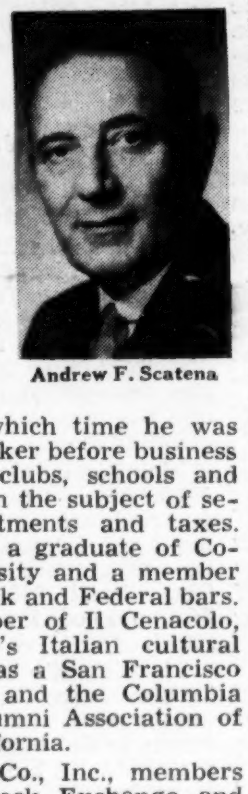
Part of the job is a matter of heads-up thinking and cooperative action by dealers and manufacturers to extend the practice of quality merchandising, to identify our problems and to attack them sharply and effectively in a spirit of mutual concern and understanding.

With that kind of heart, with that kind of thinking, with that kind of cooperative action, there is no problem facing the automobile industry that we cannot solve.

*From a talk by Mr. Ford before the National Automobile Dealers Association's Convention, Miami Beach, Florida, Jan. 14, 1958.

A. F. Scatena Joins Walston & Co., Inc.

SAN FRANCISCO, Calif.—Daniel J. Cullen, Executive Vice-President of Walston & Co., Inc., has announced that Andrew F. Scatena is now associated with the firm's San Francisco office, 265 Montgomery Street, as a Registered Representative. A member of a prominent banking family, Mr. Scatena was formerly with a nationally well-known brokerage firm, during which time he was active as a speaker before business organizations, clubs, schools and other groups on the subject of securities, investments and taxes. Mr. Scatena is a graduate of Columbia University and a member of the New York and Federal bars. He is a member of Il Cenacolo, San Francisco's Italian cultural club, as well as a San Francisco lawyers' club and the Columbia University Alumni Association of Northern California.



Andrew F. Scatena

Walston & Co., Inc., members New York Stock Exchange and other leading security and commodity exchanges, has 56 offices from Europe to Hawaii.

C. C. Collings Jr. V.-P. of Firm

PHILADELPHIA, Pa.—The investment banking firm of C. C. Collings and Co., Inc., Fidelity Philadelphia Trust Building, announced the election of Clifford C. Collings Jr. as a Vice-President of the firm. Mr. Collings has been associated with the firm in various capacities since November, 1945.

During World War II, Mr. Collings served in the U. S. Navy in the North and South Atlantic and Pacific Theaters, leaving service in November, 1945, with the rank of Lieutenant Commander.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

Of late there has been witnessed a pronounced improvement in the prices of most of the fire-casualty insurance stocks. The gains have been, percentagewise, of substantial proportion. For example, Home Insurance has gone from a low of around 30 in late 1957 to the present 39 or 40. Important gains have been scored in Springfield, Aetna Insurance, Phoenix, etc., among the secondaries; and in such stocks as Hartford Fire, Fireman's Fund, the America Fores, etc.

The stock market is said to discount changes in business trends up to six months in advance of the changes, and probably the present uptrend in prices of these stocks partakes somewhat of that philosophy. A reversal of the bad markets for these issues that we saw in 1957 was, of course in order, for the bearishness was plainly overdone.

To be sure, 1956 was a year of serious underwriting losses in the industry, and 1957 bids fair to be even worse. But, the insurance business being what it is, one of wide swings of its underwriting pendulum, it has been patent that there had to be a return swing soon or late. Rates in the fire business and allied lines are established on the basis of about a five-year experience. In other words, if the industry has enjoyed about five years of good underwriting results the state supervisory authorities start to look around to see where rates justify a downward revision. And, contrariwise, a like period of poor underwriting results usually gives the carriers good reason to apply for premium rate increases.

In a period such as we have been experiencing for several years, when the underwriting side of the business has been devastatingly bad, the carriers are justified in asking for emergency relief. But emergency or otherwise rate increases have to be made in the interest of the solvency of the writers. Obviously, the serious underwriting losses cannot go on much longer or some of the smaller and less affluent units will find themselves in trouble. One has only to look over the recently issued schedule of the California Insurance Department, giving the underwriting results for the first nine months of 1957 for about 350 companies to realize the seriousness of the underwriting loss situation. Look at some of these losses of important units:

Aetna Casualty	$9,300,000
Aetna Insurance	5,200,000
American Automobile	11,400,000
American Insurance	5,800,000
American Surety	4,000,000
Continental Casualty	5,000,000
Continental Insur.	6,900,000
Fidelity & Casualty	12,500,000
Fidelity Phenix	5,700,000
Fireman's Fund	5,500,000
Home	10,100,000
Insur. Co. No. Amer.	7,100,000
Hartford Fire	4,100,000
Maryland Casualty	8,700,000
United States F. & G.	20,500,000

Need we go on? These are all large important units in the field, and will weather the present bad industry conditions. But will the small companies with none-too-large policyholders' surplus get by the period?

Recently this space discussed increased rates. These have been coming along from a large number of states and in all probability have been one of the reasons for the buying of insurance stocks in recent weeks. Another reason may well be the feeling in some quarters that when things get so bad that they cannot get worse, it is time to recognize basic values and do at least some buying. This department does not favor full commitments yet because not only will underwriting results for 1957 be extremely bad, but portfolio valuations will look extremely sour.

In a recent article in the "Wall Street Journal" some figures on the 1957 operating results of the two leaders of the America Fore group were given. It was said that the operating figures did not "include an allowance for profits on sales of securities in the year, reported as $4,381,000 for Continental Insurance, and $9,534,000 for Fidelity Phenix." There was nothing to show whether these sales were made before the market break that started in July last year and carried the Dow-Jones industrial average down about 20% from the all-time high, or whether it was after that decline. But the published data do show that bonds and stocks carried by Continental Insurance suffered a shrinkage in value in 1957 of over $39,000,000, using valuations approved by the National Association of Insurance Commissioners. Surplus suffered a shrinkage of $41,000,000.

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Bankers to the Government in: ADEN, KENYA, UGANDA, ZANZIBAR & SOMALILAND PROTECTORATE

Branches in:
INDIA, PAKISTAN, CEYLON, BURMA, KENYA, TANGANYIKA, ZANZIBAR, UGANDA, ADEN, SOMALILAND PROTECTORATE, NORTHERN AND SOUTHERN RHODESIA.

Platt M. Conrad With Lee Higginson Corp.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Platt M. Conrad has become associated with Lee Higgins Corporation, 231 South La Salle Street. Mr. Conrad has recently been with Dean Witter & Co. Prior thereto he was for many years with Central Republic Company.

Joins Shaw Hooker Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John L. Druhan, Jr. has become associated with Shaw, Hooker & Co., 1 Montgomery Street, members of the Pacific Coast Stock Exchange. He was formerly with Barclay Investment Company in Chicago.

With Daniel Reeves Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Leon M. Blum is now with Daniel Reeves & Co., 398 South Beverly Drive. He was formerly with Jonathan & Co.

Breakdowns — Gov't Bond Portfolios & Sources of Income

13 N. Y. City Bank Stocks

Bulletin on Request

Laird, Bissell & Meeds
Members New York Stock Exchange
Members American Stock Exchange
120 BROADWAY, NEW YORK 5, N. Y.
Telephone: BArclay 7-3500
Bell Teletype NY 1-1248 49
(L. A. Gibbs, Manager Trading Dept.)
Specialists in Bank Stocks

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The **Chase Manhattan Bank** has announced the election of Edward J. Ganon and John R. Meekin to the staff of its public relations and advertising department.

* * *

William A. Lyon has been elected President of **Dry Dock Savings Bank, N. Y.**, succeeding Thurman Lee who becomes Board Chairman. Mr. Lyon was formerly Executive Committee Chairman and was Superintendent of Banks of the State of New York before going to the bank.

* * *

Thomas Benedict Clark Jr., a retired Vice-President of the now defunct **Harriman National Bank and Trust Co. of New York**, died Jan. 26 at the age of 80.

* * *

Bank of Westbury Trust Company, Westbury, N. Y., was given approval to increase its capital stock from $350,000, consisting of 14,000 shares of the par value of $25 each, to $487,500, consisting of 19,500 shares of the same par value.

* * *

The Lindenhurst Bank, Lindenhurst, N. Y., was given approval to increase its capital stock from $250,000, consisting of 2,500 shares of the par value of $100 each, to $375,000, consisting of 3,750 shares of the same par value.

* * *

Peter J. Garypie was elected President of the **Sag Harbor Savings Bank, Sag Harbor, L. I.**

* * *

Manufacturers and Traders Trust Company, Buffalo, N. Y., was given approval to increase its capital stock from $9,481,990, consisting of 1,896,398 shares of the par value of $5 each, to $9,671,630, consisting of 1,934,326 shares of the same par value.

* * *

The Marine Trust Co. of Western New York, Buffalo, N. Y., elected Harold M. Hecht, Thomas E. Moffitt, Howard W. Pearce, Ralph F. Peo, George F. Phillips and Franz T. Stone to the Board.

* * *

Jacob F. Amos, former President of the **Watertown Savings Bank, Watertown, N. Y.**, died Jan. 22. His age was 90. Mr. Amos was President of the bank for 19 years until his retirement five years ago. He was then elected Chairman of the Board. In 1956 he was made Honorary Chairman.

* * *

The First National Bank of Montpelier, Vt., elected L. Douglas Meredith to the Board.

* * *

Raymond Morrow Smith, Chairman and former President of the **Plainfield Savings Bank, Plainfield, N. J.**, died Jan. 21 at the age of 75.

* * *

Edgar S. Lewis has been appointed Assistant Vice-President in the Banking Department of **Mellon National Bank and Trust Company, Pittsburgh, Pa.**, Frank R. Denton, Vice-Chairman of the bank, announced Jan. 24.

Mr. Lewis came to Mellon Bank in March 1956, as Assistant Cashier in the Banking Department.

Prior to coming to Mellon Bank, Mr. Lewis was associated with the **Crocker First National Bank of San Francisco.**

* * *

The First National Bank of Grove City, Pa., with common capital stock of $250,000 was absorbed by **First Seneca Bank & Trust Co., Oil City, Pa.**, effective Dec. 21.

* * *

William Dignan III, was elected Vice-President in the trust division of the **Peoples First National Bank & Trust Co., Pittsburgh, Pa.**

* * *

County Trust Company of Maryland, Cambridge, Md., absorbed **Tilghman Bank, Tilghman, Md.** A branch was established in the former location of the absorbed bank.

* * *

The Board of Directors of **The Charleston National Bank, Charleston, W. Va.**, elected Mason Crickard Chairman of the Board, Paul Hinkle President, and Denver L. Morgan Executive Vice-President and Cashier.

* * *

John O. Chappell, Vice-President of the **Central Trust Company, Cincinnati, Ohio**, died on Jan. 22 at the age of 51.

* * *

By a stock dividend, the common capital stock of **The City National Bank & Trust Company of Columbus, Ohio**, was increased from $3,000,000 to $4,000,000 effective Jan. 17. (Number of shares outstanding — 400,000 shares, par value $10.)

* * *

Robert Lough, Senior Vice-President of **Drovers Trust & Savings Bank, Chicago, Ill.**, and **Drovers National Bank, Chicago, Ill.**, was elected a director of the Drovers Trust & Savings Bank. Richard H. Hart, Senior Vice-President of both banks, was elected to the Board of Drovers National.

* * *

Peter Van Cleave has been elected to a one-year term as a Director of the **Bank of Chicago, Chicago, Ill.**, George H. McClure, President, announced on Jan. 24.

* * *

Mr. Joseph M. Dodge, Chairman of **The Detroit Bank and Trust Company, Detroit, Mich.**, announced the following appointments made at the Board of Directors meeting on Jan. 21:

Banking Department—Assistant Vice-Presidents to Vice-Presidents: Harold P. Carr, Francis A. Fisher, Harry S. Rudy, Jack L. Talbot. Assistant Cashiers to Assistant Vice-Presidents: Robert E. Dean, Jerome R. Heyer, Eugene J. Hogue, D. James Watson, Jr.

Also, Mr. Dexter Ferry was appointed an Assistant Vice-President.

* * *

Citizens Commercial & Savings Bank, Flint, Mich., First State and Savings Bank, Holly, Mich., and **State Bank of New Lothrop, New Lothrop, Mich.**, consolidated under charter and title of Citizens Commercial & Savings Bank. The former main offices of the discontinued banks and the branch formerly operated by First State and Savings Bank, Holly, will be operated as branches by the continuing bank.

* * *

The common capital stock of the **Michigan National Bank, Lansing, Mich.**, was increased from $7,500,000 to $10,000,000 by a stock dividend effective Jan. 16. (Number of shares outstanding — 1,000,000 shares, par value $10.)

* * *

James M. French, a Vice-President, was elected a Director of the **City Bank, Detroit, Mich.**

* * *

The Marshall & Ilsley Bank, Milwaukee, Wis., increased its Board membership to 17 by electing Burleigh Jacobs, Jr., Norman R. Klug, and Herbert C. Kurth directors.

* * *

The Farmers and Mechanics Savings Bank, Minneapolis, Minn., elected William C. Christopherson a Vice-President to succeed Russell L. Davison who has retired.

* * *

The **First National Bank of Hoyt Lakes, Hoyt Lakes, Minn.**, was issued a charter by the Office of Comptroller of the Currency. Joseph R. Pellikka is the President and William S. Solberg is Cashier. The bank has a capital of $125,000 and a surplus of $75,000.

* * *

First National Bank of Omaha, Nebr., elected Congdon E. Paulson Assistant Cashier.

* * *

Lowell R. Johnson was elected a director of **The Kansas City Bank & Trust Company, Kansas City, Mo.**

* * *

Leonard C. MacCarthy and P. M. Meyersieck have been elected Vice-President and Assistant Cashier, respectively, of the **Bank of St. Louis, St. Louis, Mo.**

* * *

Joseph Cisper was elevated to Assistant Vice-President from Assistant Cashier of the **Commerce Trust Co., Kansas City, Mo.** Mr. Cisper came to the bank 43 years ago as office boy to W. T. Kemper and has been Assistant Cashier since 1947. Mr. Cisper is in charge of tellers.

* * *

The Board of Directors of the **Commerce Trust Company, Kansas City, Mo.**, recently elevated Mr. Joseph M. Luby from Assistant Vice-President to Vice-President, and Mr. James H. Linn from Assistant Cashier to Assistant Vice-President. Two new Assistant Cashiers were elected from the ranks: William R. McMillin and Anthony J. Lombardo. The stockholders also elected three new directors: Walter E. Bixby, Simon C. Kelly and Donald J. Hall.

Mr. Luby joined the bank as Assistant Vice-President in 1956. At Commerce Trust he serves as Manager of the Bond Department, supervising the underwriting and distribution of Municipal Securities throughout the United States and the purchase and sale of government bonds.

Mr. Linn joined the bank in 1948 under a training program and was assigned to the Credit Department the following year. In 1952 he was elected Assistant Cashier. Since April 1953 he has served as Manager of the Credit Department.

Mr. McMillin has been employed by Commerce Trust since 1946. He has worked in various departments in the bank and is now associated with the Real Estate Loan Department.

Mr. Lombardo joined the Commerce Trust in 1947 and is now associated with the Installment Loan Department.

Walter A. Reich was elected a director and John R. Mier a Vice-President of the **Mercantile Bank & Trust Co., Kansas City, Mo.**

* * *

The Commercial National Bank, Kansas City, Mo., elected Willard J. Breidenthal President to succeed E. W. Stilwell, who was named Chairman.

* * *

Citizens Fidelity Bank & Trust Co., Louisville, Ky., elected P. Booker Robinson, Vice-President, Executive Vice-President, and Lewis P. Seiler was elected to the Board.

* * *

The common capital stock of **The First National Bank & Trust Company in Macon, Ga.**, was increased from $875,000 to $1,000,000 by a stock dividend effective Jan. 13. (Number of shares outstanding — 100,000 shares, par value $10.)

* * *

The Citizens & Southern National Bank, Atlanta, Ga. elected R. William Phelan a Vice-President. He will become officer in charge of the Bank's New York office June 1.

* * *

First National Bank at Winter Park, Fla., increased its common capital stock from $250,000 to $500,000 by a stock dividend effective Jan. 16. (Number of shares outstanding — 25,000 shares, par value $20.)

* * *

Three officers of **The Hialeah-Miami Springs Bank, Hialeah, Fla.** were elected to senior pisitions at the Bank's annual meeting.

Stewart Price was elected Vice-President in addition to his post as Comptroller of the bank. Mr. Price, was with the **Rochester National Bank of Richester, Mich.**, before joining The Hialeah-Miami Springs staff in 1954.

Named Cashier was John Moranor, who joined the Bank's staff four years ago after 18 years with the **Manufacturers Trust Co.** and **National City Bank of N. Y.**

Elected Assistant Vice-President for commercial loans was William R. Murray, who came to the Bank seven years ago from the **Buffalo Industrial Bank of Buffalo, N. Y.**

Over 12,000 square feet of working space has been added to **The Hialeah-Miami Springs Bank, Hialeah, Fla.** in the fourth expansion since it opened its new banking house in 1950.

Latest improvement is the addition of a second floor to provide additional space for operating departments, increasing the total space of the oldest state-chartered bank in Greater Miami to 27,000 square feet.

The new space is designed to provide sufficient room until bank resources reach $75,000,000. Currently, assets of the bank, founded in 1925, are in excess of $29,000,000.

* * *

The directors of **Birmingham Trust National Bank, Birmingham, Ala.**, announced the election of John S. Coleman as Chairman of the Board and Frank A. Plummer as President.

* * *

The First National Bank, Shreveport, La. elected Walter B. Jacobs, Jr. Executive Vice-President.

* * *

Promotion of 17 staff members of the **Republic National Bank of Dallas, Tex.**, was announced Jan. 21 by Fred F. Florence, Chairman, Executive Committee, and James W. Aston, President of the bank.

David C. Grimes was promoted from Assistant Vice-President to Vice-President; J. Frank Fields, James R. Mason, Vincent E. Thompson, and James C. Wilson, Jr., were promoted from Assistant Cashiers to Assistant Vice-Presidents.

L. E. Elder was promoted from Assistant Auditor to Assistant Cashier, and George E. Wilkin, Jr., was promoted to Trust Officer.

Mr. Grimes joined the staff of Republic in 1951 as a clerk in the Oil Department. He was elected an Assistant Cashier in 1953 and Assistant Vice-President in 1955.

* * *

The Houston Bank and Trust Co., Houston, Tex., has elected Charles L. Bybee President to succeed Oscar R. Weyrich who has been elected Chairman.

* * *

By a stock dividend, **The Citizens National Bank of Waco, Tex.**, increased its common capital stock from $750,000 to $1,125,000 and from $1,125,000 to $1,500,000 by the sale of new stock effective Jan. 14. (Number of shares outstanding — 150,000 shares, par value $10.)

* * *

The Texas National Bank, Houston, Tex., elected Dillon Anderson, former special assistant to President Eisenhower for national security affairs, Chairman. Mr. Anderson will succeed James A. Baker, Jr., who has announced his retirement. Mr. Baker will continue as Chairman of the Executive Committee.

* * *

The Fort Worth National Bank's Board of Directors, at a meeting held Jan. 14, promoted Jack G. Lobingier from Assistant Cashier to Assistant Vice-President, and appointed J. Allen Wren Assistant Cashier, according to an announcement made by Estil Vance, President.

At the annual meeting of The Fort Worth National Bank's stockholders, held prior to the bank's Board of Directors meeting, all directors and members of the Advisory Board were re-elected.

Jack G. Lobingier, Assistant Vice-President, started work with The Fort Worth National on April 23, 1953, in the Personal Loan Department, where he is currently working. On Jan. 10, 1956, he was appointed Assistant Cashier.

J. Allen Wren, Assistant Cashier, began his banking career with The Fort Worth National Bank in 1932. Since that time he has served in the Transit, Bookkeeping, Statement, Auditing, Accrual and General Bookkeeping Departments, handled the duties of Exchange Teller, Paying and Receiving Teller, and Loan and Discount Teller. At present he is Manager of the Collection Department.

* * *

FIRST NATIONAL BANK OF ARIZONA, PHOENIX, ARIZ.

	Dec. 31,'57 $	Dec. 31,'56 $
Total resources	281,560,338	230,632,595
Deposits	257,076,317	208,731,869
Cash and due from banks	50,592,999	53,777,751
U. S. Govt. security holdings	54,839,515	39,374,697
Loans and discounts	110,482,262	85,851,336
Undivided profits	2,834,515	2,450,487

* * *

The Brighton State Bank, Brighton, Colorado, has changed its title to **First Bank of Brighton, Brighton, Colo.**

* * *

Harry C. Murphy, President of the Burlington Railroad and John C. Mitchell 2nd were elected directors of the **Denver National Bank, Denver, Colo.**

* * *

Norman J. Schoonover was appointed Vice-President of **The Idaho First National Bank, Boise, Idaho** by the Directors on Jan. 21.

The appointment of Norman J. Schoonover as Vice-President of the Bank culminated nine years of association with the institution, during which time he has served in all capacities, beginning as a bookkeeper at the Bank's Parma Office. He became Manager of the Wendell Office of The Idaho First National Bank in 1952 and transferred to the institution's Boise Head Office as an Assistant Vice-President in 1954. He has been active in the Head Office's credit department and is the loan supervisor for 11 of the Bank's branches at various points in Idaho.

* * *

Earl Sage, senior branch and administration officer of the **Bank of America, San Francisco, Calif.**, was named successor to Gordon K. Cunningham as Vice-President and Manager of the bank's Sacramento Main Office.

Mr. Cunningham, who assumed the post upon the death of B. F. Vandenburg, Jr., last summer, retires on March 1.

In making the announcement in San Francisco President S. Clark Beise said that Mr. Sage will come to Sacramento in mid-February.

Mr. Sage, now Vice-President and Manager of the downtown Los Angeles Broadway and Seventh

Continued on page 47

Short-Term and Long-Term View of Canadian Economy

By G. ARNOLD HART*
General Manager, Bank of Montreal

Montreal banker reviews current Canadian conditions and depicts strong uplift forces at work. Mr. Hart anticipates slackening trends for at least the next few months, and observes the cycle of economic fluctuations in Canada is far from being a thing of the past, but progress has been made to reduce the severity of its effects. Credits Bank of Canada for accomplishing much in "taming business gyrations" and believes responsibility for keeping the economy on an even keel cannot be left solely to monetary authorities but must rest as well upon government, business and individuals. Claims rising productivity is the key to rising income and profits with rising prices—"the key to growth without inflation."

I have been very forcibly struck by the sharp changes that have occurred in what seemed to be the accepted order of things so short a time ago.

G. Arnold Hart

To mention only three, there was a change on the political front in Canada; a new dimension was added to international relations as the western countries saw two man-made moons thrust into the skies from beyond the horizon; and on the economic scene within North America the subject of predominant concern has shifted quite suddenly from inflation to contraction.

I find difficulty, and I imagine I am not alone, in trying to discern the implications of these and other developments for the year on which we have embarked. Because I work in a bank and have an opportunity to observe influences affecting all kinds of businesses in all parts of Canada, it is the business scene that chiefly interests me and it is about it that I propose mainly to speak.

I do not, however, intend to review in detail the changes that have occurred in Canadian business conditions in the recent past. Were I to do so, I might have tried to outdo the headline style of a prominent financial weekly of this city by entitling my address, "Here's Low-Down on Slowdown." The business record has been sufficiently analyzed and diagnosed to need no elaboration. Suffice it to say that we are clearly in the midst of a period of somewhat less active business—be it labelled a levelling-off, down-tilt, let-up, readjustment or whatever—which most business enterprises and most areas of Canada have felt in some degree.

Nor do I intend to add to the many specific forecasts that are always made at the time calendars are changed. The majority of these seem to prescribe "more of the same," at least through the winter months.

What I propose to do is to discuss some of the thoughts that, for me, serve to put current conditions into perspective; that help me to keep my bearings, as it were, in the changing pattern of events.

Current Conditions

To begin with, it is a demonstrable fact that the Canadian people have achieved, and are enjoying, a measure of material well-being that is second only to that of the United States. How did we achieve it? I think you will agree that the principal ingredients have been the fortunate possession of a very wide range of natural resources in great abundance; the diligence and skill to develop them wisely, either for our own purposes, or with outside assistance in response to external needs; and the willingness to trade our abundance in return for the even wider variety of things that contribute to our standard of living. These, it seems to me, are the eternal verities of Canada's economic growth that are so obvious as often to be lost sight of, or so frequently aired as to be in danger of becoming platitudes.

But in them are to be seen, also, the reasons why Canada's growth has not proceeded steadily. At times our expansion has been accelerated by sharply enlarged world demand for our resources, as during wars, or by mounting external needs for basic materials that other countries were beginning to run short of, such as forestry products in the 1920's and minerals in the 1950's. At other times discovery and development have had to await some mechanical or technical break-through, in the way the railways opened up the west in the early years of the century and more recently the way the aeroplane and the geodetic survey have opened up the north. Yet at other times our expansion and our whole pace of business activity have been retarded by an abatement of demand in the United States or in our export market generally.

What is more, phases of rapid resource development have always brought in their train an accentuated need for other capital outlays to broaden the base of the economy by the provision of more housing, and more manufacturing, distributive and service facilities, required by a population that tends to be enlarged rapidly by a rise in immigration and often by a rise in the birth rate.

The point that seems to me important to bear in mind in considering this historical pattern is that our treasure chests cannot be found, and opened, quickly or easily as the need arises, and our broader development cannot keep exactly abreast of requirements. Such capital expenditures which, with exports, are the prime movers in our prosperity, are immense and often relatively long-term in nature and are bound to get out of step at times with the demands that give rise to them.

If we could, as it were, turn a tap to attract or create all the working people and to produce all the materials, pipelines, seaways, factories, houses, roads and so on that were needed, precisely when they were needed, and no more than were needed, we would avoid periods of over-capacity such as we are now in. But obviously we cannot expect to match capacity to demand, and phases of temporary surplus are bound to recur.

If I felt that this present phase would be other than a passing one, I would be worried. But I believe it will be of a temporary nature. Let me trace my reasons for this conviction.

Temporary Imbalance

The Second World war and the years since have been an unusually long period of unusually strong demands on the Canadian economy. The emphasis of expansion shifted, of course, as the demands changed from military to civilian, then subsequently, after Korea, back towards rearmament and again, later, to catching up with the formation of other capital facilities. In the decade to 1955 as a whole the over-all result of these shifts in emphasis was a well rounded and well balanced growth. But the spurt in 1955 and 1956 was in the direction of expansion of basic industries, mainly to serve export markets. That expansion approached completion in 1957 just when exports happened to level off or decline. What we are witnessing, therefore, is a change in the mixture of the traditional pushes and pulls on our economy that I have described—an abatement of export, the subsiding of capital expansion in a certain direction and possibly a respite from the long period during which the economy operated under forced draught.

These conditions have created difficulties in the past year—difficulties which are still with us and to which are being added the seasonal slackness that is characteristic of some sectors of the Canadian economy at this time of year.

We may therefore expect to see in the next few months reports of rather more unemployment, both absolutely and relatively, than we have known for some years. It should not rise to a percentage of the labor force that would be regarded as serious by historical standards but it will be serious for those affected. For the person who has no job and cannot find one, unemployment is 100% of the labor force. But the extent of unemployment should be mitigated by the concerted efforts being made to provide more winter jobs, while government payments have been extended to a larger number of the unemployed, and more job opportunities will open up, as always, with the coming of spring.

Some industries will continue to be conscious in the months ahead of the problems of operating at a lower level in relation to capacity than they have been accustomed to in years past. Again, without minimizing the difficulties, it is being found that efficiency is often increased at something less than full-scale output and that some excess capacity is desirable to meet peak demands that do not hit all industries at the same time. Moreover, in the case of some materials, particularly certain metals that have been scarce for some years, more adequate supplies are being welcomed as opening, or re-opening, the prospects of wider long-term markets. In the case of other materials, however, notably some other metals and petroleum, the problems of Canada's position as a marginal supplier to the United States have reared their heads and we have not seen the last of them.

Uplift Forces

There are other difficulties that I could describe. But, like those I have mentioned, they are largely manifestations of the set of circumstances that surround us. If we allow ourselves to become preoccupied with the problems we can easily become discouraged. If, however, we keep them in the perspective of the conditions that caused them, and focus our sights on the forces that seem likely to alter those conditions—and alter them for the better—I believe we have good grounds for confidence that the problems can be resolved.

One of the forces already at work is the resilience of the Canadian economy. This country, with its free institutions and people, has shown many times in the past that it has a remarkable ability to adjust to changing circumstances and the advantages of that flexibility are again apparent. An example of this is to be seen in the role played by our free exchange rate. In 1956 and well into last year, when resource development was at its height, the flow of foreign capital, which financed much of it, put our currency at a premium. At the same time, the premium, in reducing the domestic price of imports, served to alleviate some of the inflationary pressure that would otherwise have been felt. The premium also, of course, operated to the disadvantage of our exports. But now, with resource development diminishing and inflationary forces subsiding, the exchange value of our currency has fallen nearly to parity with the U. S. dollar, thus providing positive encouragement to our export industries.

In addition to its resilience, there are elements of resistance to recession now built into our economy in the form of a wide range of social security benefits which I do not need to mention in detail.

Moreover, there is a broad area of what might be called social capital where needed expenditures that were deferred in the past two or three years can now be made, and likely will be made. This includes housing, schools, roads and other public works. Housing will undoubtedly emerge as a source of strength in the year ahead. With special assists from the government and from financial institutions, residential construction was rapidly regaining momentum in 1957, and 1958 could quite possibly see more new dwellings started than any year in our history.

Also, the pick-up in housing will bring with it larger requirements for furnishings and appliances and thus strengthen one of the few weak sectors of retail trade. Apart from this need, which is in early prospect, for the many things that will go into new houses and into (or not quite into) their new garages, there is, I think, a somewhat longer-term swing in the demand for what are called consumer durable goods. Let me put it this way. The high material standard of living we enjoy consists in part of the possession of these fairly long-lasting "big-ticket" items, of which automobiles, television, automatic washers, home freezers and garburators are a few obvious examples. They are semi-luxuries, the purchase of which, or the upgrading of which into later models, can for a time be postponed. I suspect that the comparatively poor sales of such durables in the past year have been a reflection of a general disposition to postpone their purchase, partly because so many had been bought in the two preceding years, partly because credit, which plays a large role in their purchase, was less readily available. But I feel that this element of postponement will not persist indefinitely. Sooner or later, and possibly before this year is out, there may be a renewed surge of demand for dur-

Continued on page 24

*An address by Mr. Hart before the Empire Club of Canada, Toronto, Jan. 16, 1958.

THE TORONTO-DOMINION BANK
THE BANK THAT LOOKS AHEAD
H-7085
Head Office: Toronto, Canada
New York Agency: 25 Broadway

Canada's Business and Financial Leaders Speak After Turn of the Year

Continued from first page

W. M. V. ASH

President, Shell Oil Company of Canada, Limited

While a superficial observer might view the short-term economy with some misgiving, there remain many basically strong growth factors which will not be denied. Canada in 1958 may well enjoy the second best business year in its history—in itself no mean achievement. As to the petroleum industry, Canadian crude oil production should show an increase of 7% over 1957, while product demand may be expected to push forward by about 5% to reach 770,000 b/d. New refinery construction is planned and important construction projects already under way in both the refinery and petrochemical fields will be completed.

W. M. V. Ash

A continuing problem of industry is the need to contain the rising costs of production, particularly in a period when the statistical situation worldwide (and the Canadian oil industry is very much a part of the world picture these days) is not favorable to price stability. Canada's short-term problem is the same as that of the world oil industry—to dispose of surplus oil production.

In these circumstances the fact that export markets for natural gas are ready and waiting takes on special significance. This, it seems to me, is the immediate answer to the problem of the western producers and the provincial governments involved. It becomes all the more vital when it is realized that these export outlets for gas, if not taken now, may be lost for years to come.

HOWARD BUTCHER, III

President, International Utilities Corporation

The past year has witnessed the beginning of a re-adjustment period for business in both Canada and the United States. Consumer demand must have an opportunity to catch up with the present excess of productive capacity in almost all lines of industry. During this period we should strive to build the foundation for a better future. It is no time to lose confidence in our dynamic and growing economy.

Howard Butcher, III

Capital expenditures by Canadian industrial companies may be expected to continue their declining trend for several months. The effect of this will be cushioned to some extent by the projected expansion and development of Canada's natural gas and electric power industries. The decline in money costs and prospective leveling off of inflation tendencies (even though temporary) are particularly favorable for public utilities. Our Alberta subsidiaries plan to spend at least 50% more on their 1958 capital program than in any previous year. Large expenditures are required to develop and connect new natural gas sources of supply. Substantial amounts are needed for extensions and improvements to provide for future demand.

The principal business of International is and will continue to be its gas and electric companies in western Canada. Our primary interest, therefore, is to protect the fuel requirements of customers in Alberta. Our Alberta utilities have always resisted and will continue to resist any export of gas unless their long range requirements are fully provided for. Their interest in any export pipe line is mainly intended to assure first priority for such requirements.

We believe that favorable decisions on gas export proposals which further these objectives would be good for Alberta. They would greatly stimulate the development of additional reserves and all phases of gas processing and transportation. This would be particularly beneficial during this period when Alberta's oil production is temporarily curtailed until new markets can be opened up.

Over 30% of the shareholders of International are residents of Canada. However, we have long recognized the desire of Canadian investors for direct participation in the equity securities of their local companies. A major block to this was removed a few months ago when the Canadian-U. S. tax treaty was amended to reduce the withholding tax on dividends paid to non-residents by majority owned subsidiaries. The remaining problem was to distribute stock on a basis fair to our own shareholders but at a minimum risk to Canadian purchasers. We decided this could best be done by offering convertible debentures or securities with stock purchase warrants.

Last month Canadian Utilities Limited, our electric subsidiary, sold in Canada $6,000,000 of 5¾% convertible debentures. These may be converted into common stock at specified prices at any time for a period of 10 years. We hope ultimately to have Canadian partners in the equity stocks of our two natural gas subsidiaries. Plans for their future financing are being considered with this in mind. The closer community of interest obtained in this way is bound to bring about better understanding and cooperation across the border. We recommend it for consideration by other U. S. companies with subsidiaries in Canada.

M. S. BERINGER

President, The British American Oil Company, Limited

During 1957, expansion of the Canadian petroleum industry was at a somewhat slower rate than that maintained in 1956. This moderate levelling-off was in line with overall economic activity. Even so, demand for petroleum products increase 7% and continued to outpace the general economic growth.

Stuart M. Beringer

It is expected that a period of adjustment and flattening - out in business activity will continue well into 1958 and will, of course, have its influence on the petroleum industry. However, the situation in Canada should strengthen as the year progresses and 1958 is expected to bring a renewal surge of growth at record levels in some phases of the industry.

The daily average crude production in 1957 was about 500,000 barrels—an increase over 1956 despite the slackened demand resulting from the loss in the California market and some reduction in demand from the U. S. Pacific Northwest refineries. Both of these factors adversely affected Alberta nominations. Assuming that exports in 1958 will hold at about the same level as in 1957, crude production should increase to a daily average of 550,000 barrels, which is still far short of Western Canada's producing potential. Currently, this is about 900,000 b/d and is estimated to increase to one million b/d by the end of 1958. Canada's refineries are expected to attain a capacity of 785,000 b/d in 1958—about 11% over 1957.

In Canada's energy picture, new prominence is being given to natural gas. During 1957, Westcoast Transmission completed their line and Trans-Canada continued work on the line from the Alberta-Saskatchewan border to Montreal, scheduled for completion late in 1958. The natural gas development will be increasingly important. It is estimated that a total population of over 7 million, with nearly 1.3 million potential customers, will be within economic distribution reach of either the Westcoast Transmission or Trans-Canada natural gas lines. Growth possibilities for this energy source (new to much of the country) should mean a great surge of expansion in many fields of industry.

Regarding Canada's general economic picture, present considered opinion is that before the end of 1958 the nation will see a resumption of the growth that has been so characteristic of the economy in recent years.

A. F. CAMPO

President, Canadian Petrofina Limited

The Canadian economy is in a period of readjustment which is likely to continue into the second half of 1958. While this time the readjustment process seems to be somewhat more severe here than in the United States, the preceding—1955-56—b o o m was also more pronounced in this country.

A. F. Campo

Taking 1958 as a whole, indications are that there will be little change in our Gross National Product from the 1957 level. Consumer spending should be well maintained, as a larger share of the national income is currently accruing to wage-earners and salaried p e o p l e. As regards exports, prospects are for approximately the same volume as last year, although there will be a further shift in their composition. The expected drop in private investment should be offset by increased spending on public improvements. Government authorities, at every level, will undoubtedly follow more expansionary policies, particularly in view of the cloudy employment situation.

In our international transactions, easier money conditions here, coupled with a d e c l i n e in direct U. S. investments, will continue to reduce the country's net capital imports. Our current account deficit, perhaps somewhat alleviated by a drop in imports of goods and services, may thus exert a further downward pressure on the Canadian dollar in the exchange markets.

The oil industry which has during the entire postwar period been one of the most dynamic sectors of our economy looks forward to a further—though more modest—increase in the domestic demand for petroleum products. However, due to rising operating costs, mainly wages, it is unlikely that this will be translated into higher earnings for the industry in the current year.

Capital expenditures in most phases of the petroleum industry are expected to increase as the trend towards diversification, improvement in product quality and distribution services — stimulated by consumer demand — continues.

The area where some uncertainty exists, is crude oil production. Recent developments in the United States have adversely affected our export markets there. It is felt that the import restrictions which now also apply to crude movements from Canada may well be contrary to the long-term economic interests of the United States itself. Should no improvement occur in this situation, some decline in spending for crude oil exploration and development—particularly the latter—may be expected.

In conclusion, while 1958 holds certain problems for the industry and for Canadian business in general, the basic soundness of our competitive economic system, as well as the favorable long-range outlook, should create sufficient confidence for new aggressive business planning this year.

HON. DOUGLAS M. CAMPBELL

Premier of Manitoba

Outlook for the year 1958 is reasonably good although Canadian prosperity extremely sensitive to international conditions. The prairies wheat surplus continues to be Canada's number one problem which in the past has been aggravated by United States subsidization and giveaway programs. Prospects for the sale of agricultural products abroad next year appear generally favorable providing normal Canadian markets are not interfered with by United States. Base Metal industry experienced greatly reduced metal prices in past year and the forecast for 1958 is not encouraging. Canadian producers are greatly concerned over possibility of imposition of higher tariffs by United States and should this occur, coupled with present low metal prices, it would be a crippling blow to the Base Metal Industry and economy of this country. Due primarily to an overexpansion in the newspaper industry few Canadian companies will use all their productive capacity, but operations are expected to continue at sufficiently high level to avoid the need for any drastic readjustments.

Douglas Campbell

Most indications point to a good year for manufacturing industries although one of the big problems facing business will be to devise ways and means to keep productivity efficient and in balance with persistent, rising costs. It is expected there will be a moderate decline in capital investment spending from the extra ordinary level of past few years.

Although Canada appears to be entering into a year a little more uncertain than we have had for some time the long-term outlook is sound. Our natural resources are practically unlimited and our population is growing rapidly. The Canadian economy is basically very strong and dynamic and although our businessmen will be faced with many problems in 1958 we can look forward to making good progress on the whole.

N. R. CRUMP

President, Canadian Pacific Railway Company

The adverse effect of the decline in Canada's economic growth in 1957 was reflected in a sharp decline in railway traffic. While the carry-over from the previous year's high level of investment in non-residential construction and new machinery and equipment gave strength to the economy, nevertheless there was a marked slow-down in residential construction. This decline, together with a wide adjustment in inventories, resulted in lower carloadings over a broad range of commodity groups. Grain traffic, too, was sharply below 1956 levels throughout most of the year due to the decline in exports. Rail revenues also suffered as a result of the Firemen's strike on Canadian Pacific lines in January.

N. R. Crump

Despite some traffic rate relief, these factors resulted in a substantial decrease in earnings. Rail revenues in the period January-October declined by some $13,800,000: freight traffic revenues were down $11,400,000 and revenues other than freight and passenger were lower by $3,200,000. Rail passenger receipts, however, showed an improvement of $800,000.

Short term developments of the type now evident in the national economy in no way overshadow Canada's long term growth prospects. While current revenues are disappointing and will bring Canadian Pacific's return on net railway investment below even last year's unsatisfactory rate of 3.2%, nevertheless, to the extent that resources permit, the company will continue to invest in new plant facilities and to enlarge and modernize existing equipment and services.

* * *

Progress in all phases of the company's activities was recorded in 1957.

Rail

One hundred and fifty-four new diesel units were acquired during the year, bringing to 822 the number of diesel locomotives in service. In accordance with the company's dieselization program, scheduled to be completed in 1961, 122 additional units have been ordered for delivery in 1958.

Scrapping of discarded steam locomotives, of which 232 were dismantled during the year, is proceeding steadily as new diesel units come into service.

Four thousand eight hundred and twenty-five new freight cars of all types were placed in service during the year and Canadian Pacific's inventory of box cars,

Continued on page 22

Dempsey-Tegeler to Admit Bert Horning

ST. LOUIS, Mo.—On Feb. 6, Bert H. Horning will be admitted

Bert H. Horning

to partnership in Dempsey-Tegeler & Co., 1000 Locust Street, members of the New York and Midwest Stock Exchanges. Mr. Horning is manager of the firm's syndicate department.

Northern Natural Gas Offer Underwritten

Northern Natural Gas Co. is offering to the holders of its $10 par value common stock rights to subscribe for an additional 456,813 shares at a price of $47.75 per share.

The offer will allow the purchase of one additional share for each eight shares held on Jan. 28. Subject to allotment, stockholders will be allowed an oversubscription privilege.

An underwriting group headed by Blyth & Co., Inc. will buy any shares unsubscribed when rights expire at 3:30 p.m. (EST) Feb. 11.

Net proceeds from the offering, together with other funds, will be applied to completion of payment of 1957 construction expenditures. This includes bank loans incurred for construction purposes, acquisition of distribution properties and purchase of subsidiary company securities.

In the last quarter of 1957 the quarterly dividend on common stock was increased from 65 to 70 cents per share.

The company and subsidiaries operate a pipeline system of about 11,535 miles of main, lateral, distribution and gathering lines through which they transport natural gas from points in the Texas Panhandle, Oklahoma and Kansas to areas to the northcentral states where it is sold to domestic, industrial and commercial customers through the company's Peoples Natural Gas division. At the annual meeting on March 19 stockholders will vote on proposals to increase common stock from 5,000,000 to 15,000,000 shares, $10 par, and split the common stock on a two-for-one basis by way of a stock dividend of one new share for each share held. This is to be paid on a date shortly after the meeting.

Operating revenues in the 12 months ended Sept. 30, 1957 were $121,029,000 and net income was $14,847,000, equal, after preferred dividends to $3.69 per common share, based on 3,654,000 outstanding shares. In the calendar year 1956, revenues were $111,280,000 and net income $14,400,000, equal after preferred dividends, to $3.56 per share, on the same basis.

H. E. Work Co. Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Cal.—Milo S. Bergeson has become affiliated with H. E. Work & Co., 100 Bush Street.

Joins A. G. Becker

(Special to The Financial Chronicle)

CHICAGO, Ill.—Ronald D. Schmidt has joined the staff of A. G. Becker & Co., Incorporated, 120 South La Salle Street, members of the New York and Midwest Stock Exchanges.

First Boston-A. E. Ames Group Offers $50 Million Quebec Hydro-Electric Commission 3¾% Debs.

The First Boston Corporation and A. E. Ames & Co. Incorporated are joint managers of the investment banking group that offered on Jan. 29 an issue of $50,000,000 Quebec Hydro-Electric Commission 3¾% debentures, series T, due Feb. 1, 1983, at a price of 98.75% to yield 3.83%. The issue is guaranteed unconditionally as to principal and interest by the Province of Quebec.

The new debentures are not redeemable prior to Feb. 1, 1963. Thereafter they are redeemable at the option of the Commission at redemption prices ranging from 103% for those redeemed prior to Feb. 1, 1971, to 100% for those redeemed on or after Feb. 1, 1977. As a sinking fund for the debentures, the Commission has agreed to set aside, in Canadian dollar equivalent, an aggregate of 43% of the principal amount of the debentures over their life. Such funds will be invested in the debentures or in direct or other guaranteed obligations of the Province of Quebec.

The net proceeds to the Commission from the sale of the debentures will be applied to meet, in part, capital expenditures in connection with its construction program, including the repayment of approximately $12,000,000 of bank advances.

Between Jan. 1, 1952 and Nov. 30, 1957, the Commission made capital expenditures of approximately $522,000,000 and has a program covering the period from Sept. 30, 1955 through 1962, which originally provided for capital expenditures of $495,000,000, but which has since been accelerated to 1961 and increased to $610,000,000 to provide additional facilities. As of Nov. 30, 1957, $347,000,000 remained to be spent. The Commission expects to have available from its operations and provision for reserves approximately $125,000,000 to apply toward the remaining $347,000,000 of capital expenditures. After giving effect to the issue of $50,000,000 of series T debentures, the indicated balance of about $172,000,000 will be obtained through additional borrowings.

The Commission is an agency of the Crown in right of the Province of Quebec. It was created by Act of Legislature of the Province in 1944 and is empowered to generate, acquire, sell, transmit and distribute electricity and gas throughout the Province, and the Province is owner of the properties of the Commission.

Total operating revenues of the Commission for the first 11 months of 1957 amounted to $72,034,000 and net income to $17,510,000. This compared with total operating revenues of $76,580,000 and net income of $23,754,000 for the full calendar year 1956. Giving effect to the sale of the new debentures, funded debt of the Commission amounted to $517,940,000.

With Reynolds & Co.

SACRAMENTO, Calif.—Henry C. Clifton is now with Reynolds & Co., 919 Tenth Street.

Correction

In the "Financial Chronicle" of Jan. 9, in reporting the election of Robert J. Myers to Vice-President of Raffensperger, Hughes & Co., Incorporated, Indianapolis, the photograph of Robert J. Myers, Chief Actuary of the Department of Health, Education and Welfare was inadvertently used. The photograph shown above is that of Robert J. Myers of Raffensperger-Hughes.

Robert J. Myers

With Stewart, Eubanks

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Arthur L. De Wetta is now with Stewart, Eubanks, Meyerson & Co., 216 Montgomery Street, members of the San Francisco Stock Exchange.

the added importance of Canadian

IRON ORE

Increasing the production and sale of Canadian iron ore to U. S. and Canadian industry has never been as important to the entire North American economy. By the mid-period of this half-century, experts estimate, the annual value of this production can be in the range of one-half billion dollars. Most of this will be for export and chiefly to the United States.

Long before that date, iron will be in first place among Canadian minerals.

This is the most significant single source of new funds to reduce Canada's trading deficit and finance continuing purchases in the United States.

The position of Steep Rock in the industry can be judged by the Company's present objective—yearly production of 8.5 million tons from mines directly-operated and under lease to others, sustainable for more than 160 years.

STEEP ROCK IRON MINES LIMITED

Producers of High-Grade Open Hearth and Blast Furnace Ores
Steep Rock, Ontario—in the Lake Superior Region.

Continued from page 20

automobile cars, triple-hopper and covered hopper cars, ore cars, drop-end gondola cars and flat cars is being steadily increased to keep pace with the demands of the country's industrial growth.

Twelve RDC "Dayliners" were acquired during the year, increasing the Canadian Pacific fleet to 43 units, second largest of any railway in the world. These self-propelled rail diesel cars, which are steadily gaining in popularity with the travelling public, not only brought about an increase in traffic but have also provided operating economies on low density runs formerly served by conventional steam trains.

During the year some 400 miles of new rail and 250 miles of relay rail were laid in main track to replace worn rail, while 1,800,000 new ties were installed and 535 miles of track were reballasted. Maintenance forces were further mechanized by purchases of power machines and power tools.

Installation of Centralized Traffic Control (CTC) system of signalling is proceeding on the Montreal-Toronto line between Glen Tay and Agincourt, with control for the entire area being located in the dispatching offices at Toronto.

Automatic block signals were installed on the remaining 26 miles of the Toronto-Sudbury line, and on 55 miles of the Calgary-Edmonton line.

Further modernization of passenger station facilities at Calgary, a start on construction of a communication building in Winnipeg and enlargement of diesel servicing shops at Calgary and Montreal, highlighted the company's building projects during the year.

Integration of Road—Rail Transport

An outstanding development in Canadian Pacific services during 1957 was the inauguration of common carrier piggyback between Montreal and Toronto. This service provides for the carriage of highway semi-trailers on specially equipped railway flat cars. Since the inauguration of the service in mid-October, solid train loads of semi-trailers have been moving each night in both directions between Montreal and Toronto, with a number of highway trucking firms taking advantage of the opportunity of moving their units by rail. Canadian Pacific's common carrier piggyback service combines the advantages of mass movement by rail with the flexibility of highway operation. This integration of rail and road services in piggyback operation will result in more efficient service to users of transportation and a considerable expansion in common carrier piggyback may be anticipated.

Canadian Pacific Transport, operating a coordinated rail-highway service in Western Canada, has met with increasing success. A new head office and truck terminal were completed in 1957 at Winnipeg and expansion of the service is continuing.

Communications

The outstanding development in Communications services during the year was the introduction, jointly with the Canadian National Railways, of "Telex." The popularity of this new service, which enables subscribers to "dial" others for direct teletype communication, is reflected in the substantial growth recorded in this phase of Canadian Pacific Communications during 1957. Through telegraph and cable connections, "Telex" enables subscribers to establish communications with 30,000 subscribers throughout the world.

Micro-wave facilities of the company's communications services were extended during the year to Sherbrooke, Rimouski and Jonquiere and now serve jointly 11 television stations in Canada, with approximately 850 miles of network.

Air

Expansion of Canadian Pacific Air Lines' international services and the decision to seek authority to operate a competitive domestic transcontinental air service on a new main line route pattern linking nine cities from Vancouver to Montreal were among the highlights of actual and proposed expansion of air services during the year.

New international services to three countries—Portugal, Spain and Chile, were inaugurated. In May, CPA established the first air service linking Canada and Portugal and in September this Toronton-Montreal-Lisbon service was extended to Madrid, Spain. The route connects with CPA Mexico and South American services at Toronto. Late in September, Chile became the fourth country in CPA's South American network now serving Mexico City, Lima, Santiago and Buenos Aires.

Placing of a $20 million order for six giant 100-passenger Bristol Britannia turbo-prop airliners, with an additional five under option, highlighted the equipment expansion program of CPA during the year. With delivery of six Bristol Britannias scheduled for early in the new year, CPA will in 1958 become one of the first major airlines to operate the world's largest and fastest in-service commercial airliners on its entire global route pattern.

For the first time in the history of aviation in the Canadian North, CPA introduced Super DC-6B airliners on scheduled domestic routes during the year. The company is now operating these four-engined airliners on the Vancouver - Whitehorse and Vancouver - Terrace (Kitimat) services.

Steamships

Progress of Canadian Pacific Steamships' major modernization program was marked by the placing in service on the Atlantic of the new 25,500 ton "Empress of England." Plans were also announced during the year for the construction of a third and larger "White Empress" designed to carry some 200 First Class and 875 Tourist passengers. This vessel will be completely air-conditioned and fitted out for cruising in the winter months and trans-Atlantic service during the St. Lawrence season. Negotiations for her construction are being carried out with Vickers-Armstrongs Limited, builders of the "Empress of England."

A modernization program for the "Empress of France," planned for this winter, will provide Canadian Pacific Steamships with three vessels to maintain weekly voyages between the United Kingdom and Canada in 1958.

Inauguration of a steamship cargo service between Europe and Great Lakes ports reflects the company's interest in the traffic potentialties of the St. Lawrence Seaway. Two small freighters charted by Canadian Pacific Steamships, the "Otto Neubel" and the "Auguste Schulte" made five round trips each during the season between European and Great Lakes ports.

Hotels

Progress in construction of a 17-story air-conditioned 400-room extension of the Royal York Hotel in Toronto continued on schedule. When completed, this addition will increase the hotel's capacity to 1,600 rooms and provide greatly enlarged convention facilities, making the Royal York by far the largest hotel in the Commonwealth.

An all-Canadian decorative theme covering provinces from coast to coast is planned to give a distinctive Canadian character to the various convention rooms of the hotel.

Integrated Data Processing

Completion of the essential links in the first, as well as the largest system of advanced Integrated Data Processing in Canada, and one which has few, if any, parallels in the business field anywhere in the world, was achieved with installation of the high-speed electronic computer early in the year. Under the new system, designed to gain the benefits of automation in the mass handling of paperwork, information required for operating, transportation, traffic, statistical and accounting purposes is recorded on punched cards or tape at source and transmitted over the company's communication network for processing on the high-speed electronic computer in Montreal, and thence transmitted, in processed form, to points of use.

Source recording is now in operation at 30 points using advanced equipment and at 34 others using temporary equipment which will be replaced as deliverines of new models are received.

* * *

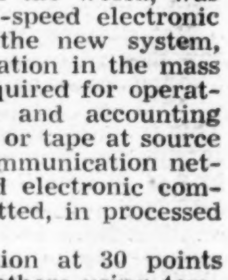
Canada's progress has always been closely identified with advances in transportation. This will continue to be so in the future, just as in the past. Canadian Pacific is proud to be identified with the progress of Canada and to be in the vanguard of growth through expansion and innovation in its land, sea and air services. These developments contribute to Canada's preeminence in transportation—both domestic and international.

If Canada is to retain her position of leadership in the transportation field, it is imperative that recognition be accorded to the importance, in terms of efficiency and economy, of allowing all transportation services a full measure of competitive freedom.

H. NORMAN DAVIS

President, The Ogilvie Flour Mills Co., Limited

Basically business in Canada is healthy and I see nothing bearish in the long term outlook, always providing sound policies, both monetary and management, are followed.



H. Norman Davis

Canadian business is now suffering temporarily from "too much, too fast" and requires a respite to catch its second wind.

With its great natural resources and determination to get away from being hewers of wood and drawers of water, Canada has adopted a "do it yourself" policy in order to balance manufacturing with agriculture, as too much dependence has been placed on agriculture in the past.

One industry which naturally has gone hand in hand with agriculture is flour milling, resulting in an over capacity viz-a-viz Canadian population of three to one, which has brought about a highly competitive situation in domestic business and a heavy reliance on export markets which it has successfully developed over the years—Canadian mills having built up a reputation for high quality flour which has enabled it to gain and hold markets in many countries in the face of keen competition.

However, developments since the close of the last war

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Canada's Current Consolidation And Basic Growth Bias

By N. J. McKINNON*
President, The Canadian Bank of Commerce, Toronto, Canada

Canadian bank President addresses himself to prospects in 1958 by considering major factors influencing the economy including elements of stability, sources of unemployment, role of monetary-credit policy, and larger dependence upon foreign ownership of domestic resources than would be necessary if Canada were not a welfare state. Turning to long-run outlook, Mr. McKinnon predicts current consolidation will not stop basic inclination to growth and that this bias is continuously reinforced with new energy-sources, creative resourcefulness, and generation of new products.

A year ago the economic atmosphere both at home and abroad was one of boom. The Gross National Product in 1956 had increased by 11% over 1955 and by 23% over 1954. Capital investment in 1956 had increased by 23% over the previous year and consumer expenditures were at a high and increasing level. There were on all sides demands pressing to heavily on available supplies of materials and labor with the inevitable consequence of marked upward pressure on prices.

Neil John McKinnon

The economic environment of today is in noticeable contrast to the strained atmosphere of a year ago. The Gross National Product began to level off about mid-year and for the full year probably will not greatly exceed the 1956 level. Wholesale prices early in the year developed a declining tendency and this trend seems now to be gradually reflected in consumer prices which recently have lost most of their upward impetus. Evidence of the changed pace of the economy is also to be seen in reduced freight car loadings, a cut-back in petroleum production to under one-half of capacity, a lessened rate of growth in consumption of electric energy and a lowered volume of industrial production. The value of shipments to external markets so far somewhat exceeds that in the corresponding period of last year. Consumer expenditures continue at a high level although there is some indication that the pace of increase is lessening. While the number of unemployed has increased in a year when the labor force has shown a marked increase, employment continues at a higher level than last year.

There has emerged during the year clear evidence of a condition that has been building up for some time but which had been concealed by demands for abnormally rapid industrial expansion and government stock-piling, a situation in which capacity is equal to, and in many cases in excess of, current effective demand for all forms of consumer and capital goods and services. Prices of many commodities which are freely traded in world markets declined noticeably in mid-summer, partly due to increasing production in relation to demand and partly due to a reversal of the stock-piling policies of other governments reflected in sales contrasted to purchases. Some other commodities, the prices of which have been maintained by government support, have also shown weakness as not all governments have been able to hold the stock-piles which their domestic pricing policies have generated. This is most noticeably true of the United States in its international disposal policies for agricultural products.

Fourth Post World War II Recession

The accumulating evidence suggests that 1958 will mark the fourth time since the end of the Second World War that the Canadian economy will have passed through a period of significant adjustment. Each of these occasions differs from the others in pattern and in degree. The first in 1946 represented the transition both domestically and internationally from war to peace-time conditions; the second in 1949 reflected some slackening in the initial postwar expansion and was followed by new stresses on the economy generated by the Korean conflict; the third in 1954 witnessed temporary adjustments in production and consumption. We have come through another upswing with many gains. The buoyant months of 1955 and 1956 have culminated in a high plateau for the economy in 1957. Although statistical indications identify the recent experience as a levelling-off process the plateau is rather uneven; in some cases declines are taking place while in others there continues to be a steady if unspectacular advance. We now appear to be entering a period of consolidation following this period of rapid expansion during the past two years.

During periods of this kind there are always doubts and misgivings about the future. This has been the case in the several previous readjustments since the end of the Second World War. Although from the author's point of view there is probably no venture quite as profitless as an attempt to forecast the future there is no reason why we should not address ourselves to the year 1958 and consider some of the major factors influencing the economy. The three principal ones which must be kept under scrutiny are export trade, new capital investment and consumer expenditure.

Three Influencing Factors

In the case of external trade, although the price of a number of raw materials has declined and to a degree the terms of trade have turned against Canada, the aggregate dollar value of exports still holds up well. The future trend depends on the level of economic activity in other nations and especially in the United States. Although there are indications of reduction in export demand for some products, enlarged shipments of others may well cushion a decline. As exports last year exceeded $4,800,000,000 and imports exceeded $5,700,000,000 in relation to a Gross National Product of nearly $30,000,000,000, it is evident how important external trade is to domestic activity.

The total capital investment for 1957 is estimated to approach $8.7 billion, an increase of $800 million over 1956 and $2.3 billion over 1955. There are some indications that the total capital investment for 1958 will not be as great but it should not be overlooked that this year's total at more than 28% of Gross National Product is a very high one indeed and is at a level which could not reasonably be expected to be maintained. Although the composition of capital investment will change, the total for 1958 will undoubtedly be a very large one by comparison with any year prior to 1956.

Consumer expenditures, which represent nearly two-thirds of the Gross National Product, continue at a high level although the pace of increase has slackened. This total, which plays such a large part in economic activity, is governed not only by available income but also by spending attitudes of the people as a whole. Aggregate earned income currently appears to be running at a higher level than for the same period a year ago while the ratio of consumer debt to income is slightly reduced.

Canadians have in recent years shown a marked disposition to spend. In 1954, for example, consumer expenditures rose continuously at a time when there was a noticeable easing in other categories of expenditures. Between 1955 and 1956 consumer expenditures increased by more than 8% and in the early quarters of 1957 this rise was continued but at a slower rate. It is likely that the final figures for the year will show a levelling-off that we shall enter 1958 with a level of consumer expenditures considerably above any year prior to 1957.

Looking further to the future, probably one of the significant influences on the amount of gross private investment is the level of corporation profits. Gross private investment, the second major domestic element in total national outlays, has an importance much greater than its actual dollar size. It not only represents the plans and aspirations of all business but also contributes to personal income without in the first instance adding a corresponding amount of consumer goods or services to the production side of national transactions. This year has witnessed a shrinkage in the profit margins of a number of industries. Investment plans are, of course, made in anticipation of adequate earnings on the investment and when the prospects are not promising such plans are likely to be deferred. At present many industries are facing conditions of rising costs while selling prices under competitive pressures cannot be raised. Business in such a position finds it necessary to concentrate on stabilizing costs rather than on giving thought to further expansion. If prospects are inimical to enlarged investment there is a diminution in one of the important sources of employment of labor.

In dollar terms, private expenditures for new industrial and commercial buildings, and for equipment, have more than doubled since 1950. During 1957, non-residential construction continued to increase while expenditures on machinery and equipment showed some signs of easing a little. In housing, the other major investment sector, a revival has been in progress since about mid-year. It is doubtful if outlays on new houses and apartments this year will exceed 85% of the unusually high level attained in 1956 but this will still represent a very high rate of housing expenditure.

Government expenditures on goods and services which cover about a billion dollars of public investment — mostly in construction—have continued to increase over their 1956 level. As governments are spending in the aggregate about one dollar in six on behalf of the taxpayers, it can be seen that public programs hold an important place in the economic as well as the political field. The portion of public investment which goes into roads, schools, public utilities, and into urban transportation facilities as a whole, is one of the important influences in the economy. Because of this there is fully as important as economic as political significance in the deliberations of the councils charged with settling the primary fiscal relations between our three levels of government.

Investment in inventories is another element in our national expenditure pattern, and it may be voluntary or involuntary. Depending on circumstances, however, it is symptomatic of the forces of economic expansion or economic decline. In 1957, as in each year since 1954, non-farm inventories continued to increase. Ratios of stocks to sales fell during 1955 and the early part of 1956 but subsequently rose. However, the increase during the past year has recently been tapering off. In some lines liquidations have been occurring; in others

Continued on page 33

*An address by Mr. McKinnon before the annual meeting of the shareholders of the Bank, Dec. 10, 1957, Toronto.

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Continued from page 19

Short-Term and Long-Term View of Canadian Economy

ables apart entirely from that generated by new housing construction.

Nor can I be anything but optimistic about the outlook for our export industries. That we have at the moment capacity to produce more than we can sell is, as I have said, a transient condition. That we have in abundance what other countries, particularly our neighbor, have needed more of in the past and will come to need yet more of in the future, is the abiding fact. You may remember that the Paley Report of 1952 which forecast the enormous needs of the United States for imported materials, especially metals, was published at a time when many of these materials were in ample supply, and its predictions were decried in some quarters. But in the succeeding five years its conclusions were more than vindicated, and I feel sure they will be again.

Gordon Commission

Even more significant, of course, has been the sweep of the forward look taken by our own Gordon Commission. Seldom, if ever, has a country so thoughtfully, so thoroughly and in such detail attempted to plot the future course of its economy as a basis for examining its policies. In the hundreds of painstaking submissions, which were loosely called "briefs," that were made by business organizations, governmental bodies and individuals across the country, and in the studies and reports that have appeared or are yet to be published, there is a body of knowledge about our economy and its past, and of conscientious conjecture about its future, that will form a sure footing on which to base informed public discussion of current and future problems. Moreover, regardless of what may be thought of some of its particular findings and suggestions, the Gordon Commission has sketched, in broad outline, dimensions of possible future growth which, while not guaranteed, should inspire us to great endeavors.

One aspect of our growth that is worth dwelling on for a moment is population. The number of people in this country has been increasing at a faster rate than for some decades past and at a significantly greater rate than in the United States. Since 1945, our population, apart from the entry of Newfoundland in 1949, has risen 36% while that of the States has risen 23%. When we think that the small fry and teen-agers who now surge around our suburbs will one day be filling out applications in our employment departments, the prospect may be a little frightening, but it is not a prospect of lack of demand for our products and services, or lack of young people to pitch in and produce them.

There is also, on the horizon, the possibility of an enlarged flow of trade with the United Kingdom that may follow from the recent Canadian trade mission and the keen and warm reception it received from British firms. Beyond that horizon, again, are the trade possibilities that could arise from the economic integration of Europe that took a step forward this month with the formal inception of the plans for a common market.

In another way, I am beginning to think that a resurgence of demand for industrial materials may be upon us sooner than we expect. I pointed out at the outset that a new dimension had been added to international relations. One satellite, or a second carrying a dog, may not seem significant. There will in time be others, penetrating farther into space, possibly over the moon and even carrying the fabled cow.

Defense Race

What is significant about the satellites is that the race for space will call for new dimensions of effort and expenditure in the free world. The request for authority to spend an additional four billion dollars for defense, which was made by President Eisenhower in his State of the Union Address a week ago may be only the beginning.

I wish with deep sincerity that our manpower and our material wealth did not have to be diverted, to an even larger extent than they are now, to armed preparedness. But the defense of our freedom is a matter of paramount importance and urgency to which there can be no alternative. It is a realm in which we must rely on the wisdom of our statesmen. For my part, I feel competent only to comment that what I have called the race for space may be a stronger force than we can yet gauge in changing business conditions from slack to stress in this country as well as in the United States and throughout the Atlantic Community.

To mention the subject of inflation in Canada in January, 1958 may seem belated, or premature or even incongruous. As I noted at the beginning, general concern has shifted rather quickly in recent months from inflation to contraction. And as I went on to note, we seem likely to be facing slackening trends for at least the next few months. Inflation and deflation are opposite tendencies and are widely regarded as mutually exclusive. In the short run they are. But in the longer perspective that I have tried to take, they are manifestations, at different times, of the same thing, namely the undulations in the intensity of business activity that we must expect in this country. In recent years it came to be considered by many that the business cycle was a thing of the past. The year 1954 and the years 1957 and 1958 should serve to remind us that the cycle has not been obliterated. But I believe that progress has been made towards taming it and that the need to mitigate its extremes must be constantly in our minds, on whatever curve of the cycle we happen to be.

Monetary Policy

Which brings me to the role of monetary policy. The late Will Rogers once remarked in his typically dry fashion that "There have been three great inventions since the beginning of time: Fire, the Wheel and Central Banking." Certainly we have all been aware during the last two or three years in this country, as in the United States and elsewhere, that the central bank is a force to be reckoned with and, as you realize, the tight money policy made life very difficult and uncomfortable for the chartered banks, which are the principal means through which central bank policy is implemented. But within its sphere of influence the Bank of Canada has done much towards taming business gyrations by exerting restraint when restraint was called for and subsequently, in the light of changed business conditions in recent months, by permitting a significant degree of monetary ease. Without going into detail, it may be said that monetary restraint is not now an inhibiting factor on the availability of credit through normal channels and for legitimate purposes.

But the responsibility of keeping the Canadian economy on an even keel is not one that should be left primarily or even mainly to the financial system. It must rest as well upon the conscience of governments, business enterprises and individuals. In this connection, I feel strongly that this country's growth will be assured, and the purchasing power of its currency preserved, only if Canadians are prepared to work for those rewards. It has been well said by my distinguished predecessor, Mr. B. C. Gardner, that if we do less for a dollar, we can hardly complain if a dollar does less for us. Rising productivity is the key to rising personal incomes and rising business profits without rising prices — the key to growth without inflation. This country was not built by people whose chief concern was how little they should work.

Given the willingness to work, and given the ability to keep our problems in perspective as we tackle them, we surely need have no misgivings about our short-term, or long-term, prospects.

What can make a difference, however, is our attitude to current conditions. It is really to this psychological factor that my thoughts have been directed. My remarks, for what conviction they may carry, have been aimed at discouraging discouragement.

Waterloo College Investment Courses

WATERLOO, Ont., Canada—"Wise Investment in Bonds and Stocks" will be the subject of an evening course in investments given by the Adult Education Department of Waterloo College. Scheduled for future lectures, which are given Monday evenings, are:

February 3—Bonds to Buy for Security and Income—D. R. Dattels, Dattels & Co., Ltd., Kitchener.
February 10—Common and Preferred Shares—G. S. Watt, Gairdner & Co. Ltd., Kitchener.
February 17—Mutual Funds—J. P. Henderson, Calvin Bullock, Ltd., Montreal.
February 24 and March 3—How to Understand Financial Statements—D. B. Gill, Nesbitt Thomson & Co., Ltd., Toronto.
March 10—Preferred Shares to Buy for Security and Income—R. A. Mitchell, A. E. Ames & Co. Ltd., Toronto.
March 17—Common Shares to Buy for Income and Profit—G. S. Watt, Gairdner & Co., Ltd., Kitchener.
March 24—Investment Management—A. E. Ames & Co., Kitchener.
March 31—Building the Investment Portfolio—T. P. N. Jaffray, Dominion Securities Corpn., Toronto.
April 7—Panel discussion.

Install Teleregister

Harris, Upham & Co., 120 Broadway, New York, nationwide investment brokerage firm with 36 offices coast to coast and members of the New York Stock Exchange, has announced that Teleregister Corporation's 500th electric stock quotation board has been operationally installed in the firm's Denver, Colorado offices at 740 Seventeenth Street.

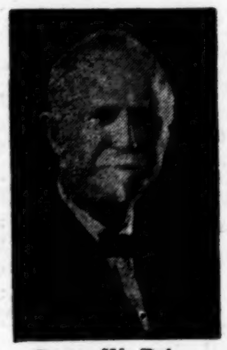
Commemorating the occasion in Denver, A. F. Goll, retired Teleregister Vice-President, presented a plaque to R. E. Sargeant, Harris, Upham Denver office manager, and to Henry U. Harris, Jr., a visiting partner of the firm from its 120 Broadway, New York, main office.

Skating on Thin Ice?

By ROGER W. BABSON

Well-known business advisor asserts no one knows whether existing legislation designed to mitigate the business cycle downswing "will create confidence or increase fear." Doubts depressions can be ended unless fundamentals of unselfishness, efficiency and honesty, are resurrected which, Mr. Babson states, was the case in previous depressions. Wants Washington to know that sciences of economics and merchandising are equally as important as physics and chemistry.

It is not my place to discuss politics in this column. Most of us are Republicans or Democrats according to where we live or how we were trained as children. This means that the birth rate will largely be the deciding factor under a democracy.



Roger W. Babson

This further means that democracy, with everyone having a vote irrespective of character or education in government, is crazy and cannot long continue. There must be a shakedown sometime and a return to the republic which Washington, Franklin, and Hamilton established in 1788. We have drifted far away from our original ideals.

I am, however, allowed to discuss economics in this column. Let me start by saying that no one knows what will be the effect on business and investments of the "unemployment cushions" which have been devised to prevent another real depression.

Some Unanswered Questions

Will the insurance of bank deposits prevent a money panic when banks begin to fail? Will unemployment insurance give confidence to business and the stock market when millions are idle and walking the streets? Can employers be forced to employ people at a loss? In short, will these laws which businessmen and investors are counting on really work?

I am not disputing the ability of these new laws to do some good. They will relieve much suffering and encourage some consumer buying; but will they create confidence, or will they, instead, make business more fearful? **No one knows.** These "pacifiers" have not yet been tried. No true business depression has occurred since these "humanitarian" laws were enacted. My point this week is to emphasize that no one knows whether existing legislation will create confidence or increase fear.

Reducing Stock Market Margins

Let us consider the recent reduction of stock market margins from 70% to 50%. This was done by Washington to make it easier to buy stocks; but **stocks** are very different from **food.** We buy food to eat; but we buy stocks to sell at a profit.

Instead of increasing confidence in stocks, this action by well-meaning Washington bureaucrats has frightened investors, who fear that the real inside conditions may be worse than the public expected. Therefore, this act, **at this time,** has done more harm than good. Now what will be the effect when the various other palliatives are put into force? They will relieve hunger; but will they cause investors to buy stocks or automobiles? I don't know—and no one else knows.

What About Economic Laws?

Economic laws can be temporarily ignored; but they cannot be long ignored. Economic forces cannot be seen; but neither can electric forces be seen. Even now, no one knows what electricity is, where it comes from, why it travels, or where it goes. Yet, we all use electricity continually. Economic forces are just as powerful even though they cannot be seen. For Congress to try to ignore them is like legislating that "2 plus 2 must hereafter make 5."

Almost every Congressman believes in his heart that the present regulation of farm prices is a mistake. They believe that Secretary Benson is basically right, but they dare not say so for fear of losing the farmers' vote. What the ultimate result will be, no one knows. Some say these artificial prices will finally end our present form of government. We dare not say so because neither I nor anyone else knows.

Certainly we are **skating on ice** of unknown thickness. One person whom I see is very bearish; another is optimistic. We are all toying with questions to which neither Congress nor the President knows the answers. Following the depression of the 'Thirties, Congress enacted many "cure-alls" to relieve pain. These should work for a while in relieving hunger, warding off failures, and performing other acts of mercy; but in most cases they may serve only as mustard plasters or aspirin when our people need a change of character, almost a religious conversion. Previous depressions were allowed to last until selfishness was replaced by unselfishness; until inefficiency was replaced by efficiency; and dishonesty by honesty. Now Congress plans to bring back prosperity without restoring these fundamentals of unselfishness, efficiency, and honesty. Can this safely be done?

What Is Scientific Education?

Washington apparently thinks that Science refers only to physics and chemistry. This is a great mistake: Economics, sociology, and merchandising are sciences of equal importance. Russia can give us some great surprises along these lines, far more important than "Sputniks." A nation progresses only by a balanced education, not by going off half-cocked on one line. What will the young physicists and chemists do if we enter upon a workable disarmament program? They will be "a dime a dozen."

Were I a young man or woman today, I should become an expert on the subjects taught at Institutes of Business Administration. The graduates of such institutions will be in great demand as we approach disarmament. Almost every sane man in Washington will admit that the ultimate choice is "Disarmament or Destruction." If World War III comes, all our schools may be laid low and their graduates killed!

Scherck, Richter to Discuss OTC on TV

ST. LOUIS, Mo.—Partners of Scherck, Richter, Company, 320 North Fourth Street, will appear on KETC, Channel 9, on Feb. 5 to discuss the over-the-counter market.

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—as a result of price supports of grains and consequently building up of surplus stocks — have created a serious situation for Canadian agriculture and particularly flour mills. Surpluses of wheat which have accumulated in both countries pose a problem of distribution. The U. S. has embarked on a "give-away" policy on grains and a subsidy policy on flour which present a grave problem for Canadian mills to face. Many traditional markets are, temporarily at any rate, lost to Canadian mills.

For the 12 months ending Aug. 31, 1957, Canadian flour exports were down 2,803,033 cwt. from the previous year. In the same period American exports were up 5,358,315 cwt. If a 10 year average is taken, the decline in Canadian exports last year is 7,994,933 cwt. Unfortunately the Canadian Treasury cannot compete with its U. S. counterpart so that the condition is not likely to improve. The situation is sufficiently serious as to necessitate amalgamations, some reorganization and integration of production facilities and methods, the closing down of unprofitable units especially those that are strategically out of position and the obtaining of a better balance of output to available markets.

In spite of the difficulties created by the U. S. subsidy policy, Canadian mills are confident that their quality will ultimately win back markets which have used Canadian flour over the years, and with economies effected in production, will be able to come within a price that will interest overseas buyers.

While I do not look for too much improvement during the coming year, the outlook is not any worse than it was a year ago, but Canadian mills will not hit their real stride until either surpluses are manageable or both countries can agree on a mutual price policy.

H. GEORGE De YOUNG

President, Atlas Steels Limited

Atlas Steels manufactures a supermarket selection of highly specialized electric furnace quality steels . . . high speed, tool and die, stainless, machinery, and mining steels, which are sold to widely diversified industries.

H. George DeYoung

The forecast of business for Atlas Steels in 1958 must be predicted on that of the whole Canadian economy because all industry uses our type of product.

It is difficult to present a long-term forecast at this time because the effects of world conditions at home and abroad are unknown. However, for the short-term, it is apparent that business for the first few months of 1958 will be at a lower level compared to the latter part of 1957, and greatly reduced from the activity in the first quarter of 1957.

We hope for an improvement in the second quarter, if the recent reduction in excise tax on automobiles has the obvious anticipated effect on sales volume. The pattern for the year should develop more clearly during the second quarter.

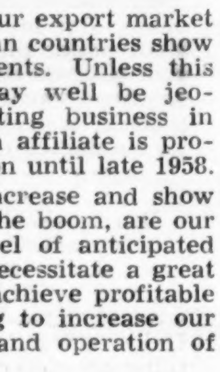
A not too buoyant outlook exists in our export market because the economies of many European countries show great sensitivity to political developments. Unless this trend is reversed, export business may well be jeopardized. Our program of consolidating business in European markets through our Belgian affiliate is proceeding but will not be in full operation until late 1958.

Operating costs which continue to increase and show no sign of lessening despite easing of the boom, are our chief concern in facing the lower level of anticipated business in 1958. This condition will necessitate a great deal of adjustment by all industry to achieve profitable operation. At Atlas we are continuing to increase our productivity through the installation and operation of new equipment and plant facilities.

THOMAS W. EADIE

President, The Bell Telephone Company of Canada

The present period of economic readjustment in Canada is expected to end during 1958, with a healthy recovery underway by the year end. Several measures have already been introduced to alleviate the effects of the relatively high unemployment which may be experienced this winter.



Thomas W. Eadie

For the year as a whole, the gross national product will probably be slightly higher than in 1957. Total capital expenditures are likely to be down slightly, with decreases in business expenditures being partially offset by a substantial recovery in housing.

The continuing demand for telephones may receive added impetus from the increase in home construction. A further increase in our capital outlays over 1957 will be required to meet these demands and keep abreast of technological developments. The company spent over $175,000,000 during the year on new construction in our Ontario-Quebec territory to extend and improve service.

Development of our company's services in 1957 was marked by the addition of some 190,000 new telephones, raising the total telephones in service to 2,960,000. While the demand for service continued to grow steadily, we were able to reduce the list of waiting customers to 20,000, a reduction of some 8,000. Orders for individual in place of two-party lines were cut by about 11,000. Forty-five per cent of our customers now have individual line service. There was a further rise in the volume of long distance calling, the number of calls handled showing an increase of almost 8% over 1956.

A total of about $124,000,000 of new capital was invested in the company in 1957—the highest figure for any one year. The largest stock issue we have ever undertaken yielded $75,400,000, and the confidence of the investors was reflected in the purchase of 99.5% of the 2,230,000 shares offered. A total of $40,000,000 was raised in two bond issues.

The company applied to Parliament for amendment of its Act of Incorporation to permit capitalization beyond the $500,000,000 par value limit set in 1948. A bill to allow the company to increase its capital stock to a total of $1,000,000,000, subject to the approval of individual issues by the Board of Transport Commissioners for Canada, received Royal Assent in December.

Estimates indicated that under the approved rate structure which has remained unchanged, our dividend requirement would not be met in 1958, largely because of the steady increase in the unit cost of providing service. The company, as a result, applied to the Board of Transport Commissioners for permission to increase its rates, and our case was heard during November and December.

The direct dialing by customers of their own long distance calls, introduced for the first time in Canada in Windsor in 1956, will be established in Toronto and Guelph late in the spring. Within the next few years we plan to have this service in Montreal and many other cities while at the same time the areas available to the customer by direct dialing will be steadily widened across the country.

Construction of the Mid-Canada Early Warning Line was completed by the Trans-Canada Telephone System, in association of major Canadian telephone organizations which is now responsible for maintaining the larger part of the line. Our company acted as project agent for the System in the construction of the line, and in a similar capacity has a continuing responsibility for its maintenance.

The transcontinental microwave network being built by the Trans-Canada Telephone System now stretches from Quebec City as far west as Calgary and Edmonton, and the full network from Sydney, N. S., to Victoria, B. C., will come into service in the summer of 1958. The construction of several additions to the existing microwave system in our territory was started during the year. Others are now in the planning stage. Telephone channels were added to the Toronto-Buffalo microwave link and a start was made on a Montreal-New York link.

CYRUS S. EATON

Chairman of the Board, The Chesapeake and Ohio Railway Company

The acute shortage of capital in the United States stands out as one of the crucial questions of concern on both sides of the border as the New Year begins.

Cyrus S. Eaton

In the past decade Canada has emerged among the nations of the world as a young and fast-growing economic giant, with many mines to open, factories to erect, oil wells to drill, roads to build, railroads to extend, airports to construct, harbors to improve, rivers to make navigable, telephone lines to string, and water powers to harness. Men, money, and know-how comprise the indispensable elements of all of these vital ventures. Once the funds are found, the necessary manpower and the requisite technical knowledge usually follow. The urgent problem for Canada to solve in mapping out her further material progress, therefore, is how she will raise the tremendous capital she must have to move forward rapidly.

U. S. industry, itself, has ambitious plans for expansion, at a cost running high into the billions, within the next few years alone. Those who are active on the American business scene have been keenly conscious of the increasing competition for capital for some time. Now, as the inevitable consequence of the unwise financial policies of the U. S. Treasury Department over the past five years, America is in the grips of a tight money squeeze.

During this period when capital is hard to come by, Canada remains one of the world's most attractive areas for investment, particularly because of the stability of her institutions and of her Federal and Provincial Governments, under whatever political party. It is my firm

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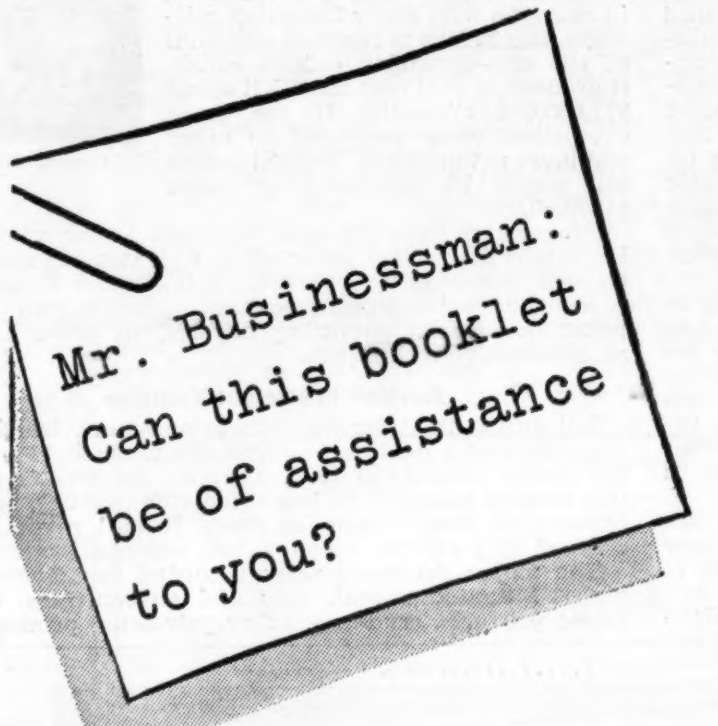
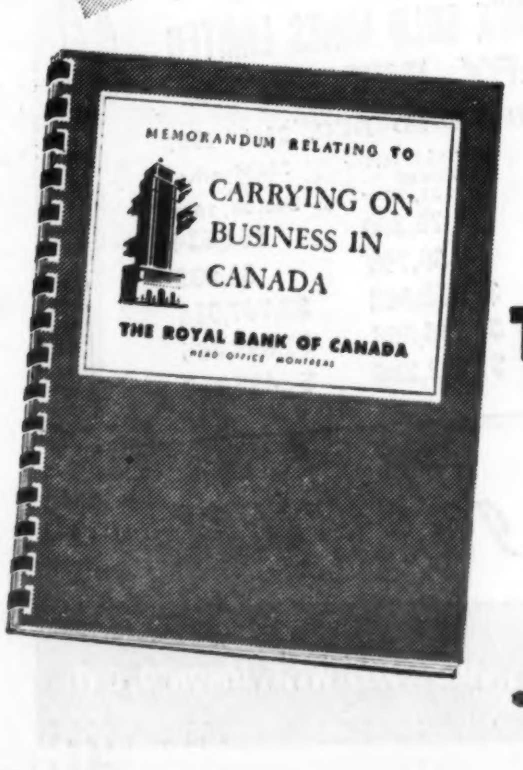


Do you know how a company may be incorporated in Canada? How about income and other business taxes? What are the personal income tax rates? Are there provincial as well as federal taxes? The answers to these and other questions—vital to the businessman planning to set up operations in Canada—are to be found in our "Memorandum Relating To Carrying On Business In Canada." For your copy—free and without obligation—write to Business Development Department, The Royal Bank of Canada, Head Office, 360 St. James Street West, Montreal, Canada.



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677

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belief that Canada has everything to gain and nothing to lose by encouraging foreign investment to supply the new money she needs for economic development and expansion.

S. M. FINLAYSON

President, Canadian Marconi Company

There would appear to be no basic reason why business activity and general economic conditions during 1958 should not be maintained at the 1957 level, although I do not believe that we can look for any marked upswing in that year.

S. M. Finlayson

In the electronics field specifically, there are a number of indications that business volume will improve generally—especially with respect to communications apparatus. There have been substantial advances made in the field of electronics as a result of research and development programs carried out during the past few years which should result in increased production in 1958.

Another factor which it is expected will tend to provide increased volume in the electronics field during 1958 is an increase in government contracts for defense purposes. During 1957 there has been a marked slowing-down in the placing of such business, which should be compensated for by additional business during the year 1958.

C. SYDNEY FROST

President, The Bank of Nova Scotia, Toronto, Canada

Although economic activity in Canada is continuing at a high level, the expansionary forces that were so marked in 1955 and 1956 have now lost most of their upward momentum. With an easing in world markets for many of Canada's basic export products and a decline in consumer purchases of automobiles and appliances, the trend of Canadian business levelled out during 1957 and in the final quarter turned perceptibly downward. By the end of the year relatively few industries were still working at full capacity. Capital investment expenditures continued strong, but not quite up to mid-year expectations. Taking into account the small wheat crop, it appears that the Gross National Product for 1957 showed only a small rise over the 1956 record. Increasing by something like 3%, it probably came fairly close to $31 billion, but, since prices for the year as a whole averaged approximately 4% higher than in 1956, it may actually have declined a little in volume terms.

C. Sydney Frost

One of the most striking indications of slackening in the economy is the decline in imports, which in October and November, the latest months for which figures are available, were 12% below a year earlier. Another is the slowdown in the rate of inventory accumulation, particularly in manufacturers' stocks of materials. And recently there has been a levelling-off in the consumer price index, following the earlier marked declines in basic commodity prices.

In these circumstances, the demand for credit has eased, interest rates have declined, and the monetary authorities have given some indication of a change in the policy of restraint.

As the new year begins, the economic climate in Canada is thus a good deal less buoyant than it was a year ago, and the months immediately ahead, always a time of relative slackness in the economy, are likely to be marked by a greater degree of unemployment than any winter since the war.

The likely extent of the readjustment that is now in progress should not, however, be exaggerated. There are, fortunately, a number of factors at work to sustain economic activity in 1958 and prevent downward pressures from becoming cumulative. For one thing, capital investment expenditures, though they are expected to fall somewhat short of the extraordinary 1957 record, are likely to be sustained at quite a high level by the carry-over of big uncompleted investment projects including the Seaway and the Trans-Canada gas pipeline, by large needs for many types of public and institutional building, and by the recent pick-up in housebuilding. For another thing, consumer incomes have continued to run ahead of a year ago, and the recent moderate tax reductions along with the increases in old age pensions, family allowances and unemployment insurance coverage will help to maintain purchasing power. The decline in the premium on the Canadian dollar will also be helpful both to Canadian exporters and to manufacturers faced with keen import competition.

Looking farther ahead, the long-term prospect for Canada continues to be a strong one because of the sorts of resources she possesses, the momentum of population growth and the rapidity of technological change. How soon and how vigorously the forces of expansion reassert themselves, however, will depend in large measure on developments in the United States (particularly defense policy) and on the trend of events in the world economy.

DONALD GORDON

Chairman and President, Canadian National Railways

Canadian National Railways ended 1957 with evidence that great progress has been achieved within the system even while the railway was and is under severe financial stress.

Donald Gordon

Like the majority of railways all over the continent, the CNR suffered severely from the decline in many phases of the economy, which caused its freight tonnage and revenues to dwindle while costs of wages and materials continued to climb. At the year-end the CNR faced the certain prospect of a substantial deficit.

Against this background the CNR, in common with other Canadian railways, has before it contract demands of the non-operating unions which, if granted, would cost the CNR about $77,000,000 annually. If the same provisions were extended to other employees the total annual wage bill would be increased by about $100,000,000.

Progress of the CNR was indicated in the opening of important new rail lines bringing rich mineral and other natural resources to market; in improved freight and passenger service; in significant advances in communications; in modern operating devices; in more efficient administrative techniques.

Decline in Freight Tonnage

But during the year the railway's revenue freight tonnage showed a decline of 11,000,000 tons, or 11% below the record tonnage of 1956. Because the greater part of this decline occurred in low rated commodities, and also because of freight rate increases, freight revenues decreased by a smaller amount than tonnage, some 4%.

The major decreases were recorded in movement of grain, bituminous coal, ores and concentrates, certain forest products, crude oil, other petroleum products and manufactures, while the main offsetting increases occurred in fuel oil, other mine products and manufactured iron and steel articles.

Freight rate increases continue to lag behind the increased costs they are designed to meet. The only major rate change in Canada during 1957 occurred Jan. 1 when the Board of Transport Commissioners granted an interim general increase of 11% in lieu of the interim increase of 7% granted in 1956. A new application for a further 10% general increase was made last autumn.

Revenues benefited to some extent from freight rate increases granted in the United States.

The Maritime Freight Rate subsidy was increased from 20 to 30% last spring on movements from the Maritimes to the rest of Canada, and the corresponding rate reductions were published in our tariffs on July 1.

Certain competitive types of rates were widely extended during 1957 to meet increasing highway competition. Last April 4 the CNR published special incentive loading rates on a broad range of commodities moving between most major points in Western Canada. On Oct. 7 "piggyback" rates covering the movement of highway common carriers by rail between Montreal and Toronto were put into effect. The railway also greatly expanded the number of agreed charges, an increase of 75% since the beginning of the year, bringing the total to 272.

Passenger Revenues Up

Passenger revenues rose for the third consecutive year, this year by 3.5%. Contributing factors in this increase included a record movement of immigrants and an increase of 10% for first class and 5% for coach class fares which became effective between certain points Sept. 1.

The railway, continuing its program of eliminating those passenger services which result in large deficits, in 1957 discontinued train runs representing an annual saving of 290,000 train miles.

Our policy of raising the quality of passenger service wherever improvements are economically justified was continued. The westbound schedule of the Super Continental was reduced by one and one-half hours and the eastbound schedule by 30 minutes. Other schedule reductions in main line service were made between Montreal-Toronto-Chicago, and between Montreal and Halifax.

Keeping pace with these main line improvements has been the change in schedules and equipment on branch lines and 1957 saw new RDC railiners put into service on seven routes in provinces from Nova Scotia to Saskatchewan, improving travelling comfort in the areas affected and leading to substantial reductions in running times. Railiner service will be extended to several other runs during 1958.

Studies of new trends and possible innovations in service of meals to passengers is continuing, with the aim of providing the most practical types of service consistent with passenger preferences and over-all costs. Five new dinette cars (lunch-counter style) were scheduled for delivery by the year-end and will be placed in transcontinental service between Montreal and Vancouver.

Last March the CNR placed two cafeteria cars in service on an experimental basis on the Maritime Express, Montreal to Mont Joli. These cars, converted in our shops and featuring an attractively priced self-service with paper dishes, won general acceptance and proved that savings could be effected. As a result, a third car, seating 33 passengers instead of the 22 in the two pilot models, is being prepared for service. Further tests will be conducted on other runs.

New Lines

During 1957 the CNR continued to play its historic role of assisting in Canada's development by pushing new lines into undeveloped regions where surveys showed sufficient traffic would result. The 161-mile westerly arm of the Chibougamau line (Beattyville to Chibougamau) was officially opened in November, enabling development of vast areas of Quebec's mineral-rich country. Grading of the first 66 miles of the easterly arm running northwest from St. Felicien was expected to be more than 90% complete by the end of the year. A contract has been let for grading and construction of bridge substructures for the remainder of this arm.

A second official opening marked completion of the 22-mile branch line from Bartibog to Heath Steele in New Brunswick, again for the transport of valuable mineral ores. Still another branch line became a part of the CNR with acquisition of the newly constructed 30-mile railway from Sipiwesk on the Hudson Bay line in Northern Manitoba to the great new nickel deposits being developed by International Nickel Ltd., at Thompson in the Moak Lake-Mystery Lake region.

Dieselization

Continued strides towards greater operating economies were made through addition to the program of dieselization. By September, 70% of all freight gross ton-miles recorded on the system was in diesel operation, as was 72% of yard locomotive miles and about 44% of passenger train miles.

Complete dieselization of the Chicago Division of the Grand Trunk Western and of the Central Vermont Railway, as well as through passenger service between Montreal and Sarnia, was accomplished.

By mid-1958 all train operations on the Atlantic region, the British Columbia District and our lines south of the St. Lawrence River will be dieselized.

It is expected that deliveries of locomotives during 1958 and early 1959 will make possible the progressive dieselization of the Quebec and Alberta Districts.

To meet the expanding diesel operation, the tempo of

Continued on page 28

GIANT YELLOWKNIFE GOLD MINES LIMITED

SUMMARY REPORT

FOR THE PERIOD ENDED DEC. 31st, 1957

	Second Quarter Ended Dec. 31, 1957	Six Months To Dec. 31, 1957
Tons Milled	76,300	151,534
Gold Recovered, Ozs.	39,709	81,933
Total Revenue	$1,352,868	$2,767,314
Operating Expense	$ 945,568	$1,899,385
Net Profit	$ 212,286	$ 437,550

GIANT yellowknife gold mines LIMITED

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Canadian Review and Outlook

By JAMES MUIR*

Chairman and President, The Royal Bank of Canada

This discourse on the Canadian economy by Royal Bank head perceives current readjustment leading to an even greater and healthier future prosperity and expansion; deals with chronic problem of inflation as a thief; suggests domestic and foreign economic policy changes; and discusses national attitudes and long-run policy definitely shaping Canada's future. Mr. Muir would like to see: (1) flexibility in required secondary reserves of 7%; (2) improved export financing; (3) broader money market base, and (4) municipals made more attractive.

I

General Review of 1957

In January 1956 I pointed out that, owing to inflationary pressure built up during 1955, "there are definite danger signs, not so much in prices as in the frantic pace of consumer buying, business expansion, and the general tightness of markets in both commodities and labor." In January 1957 I had to record that by mid-1956 inflationary pressure had broken through the price barrier and out into the open. After that, retail prices continued to rise, until the beginning of last November. Fully and chiefly manufactured goods continued the steady climb that began in 1955, but wholesale prices in general softened from the beginning of 1957, reflecting a sharp drop in raw and partly manufactured materials and grains. In fact, all the more sensitive indicators of business activity show either a leveling off or a decline during 1957. This is clearly confirmed by the common observation of those closest to the economic picture. I shall not attempt here to determine whether in the gobbledygook of economic forecasting we are having a "recession" or a "rolling readjustment." Whatever we call the phenomenon it is abundantly clear that, though all inflationary forces have not disappeared, we have reached what seems to be the end of the latest inflationary surge. A mild slump at this time should cause little surprise or apprehension: it would be unrealistic to expect our economy to go on expanding indefinitely without some kind of breathing spell.

James Muir

*An address by Mr. Muir before the 89th Annual Meeting of Shareholders, Jan. 9, 1958.

All this has implications for monetary, fiscal and business policy. In 1953 and again in 1954, in a previous period of **declining** business activity, we referred to three methods of meeting the problem, viz., tax reductions, price reductions, and easier credit terms. Some tax reductions, small and impotent as they may appear, have already been effected, and both the rate of the Bank of Canada and the prime rate charged by the chartered banks have fallen in keeping with a moderate easing of the tight money policy of the past two years. It is logical that flexibility in chartered bank lending rates should be maintained and that those rates should adjust to changes in the rate charged by the Central Bank. I can add only that I wish Bank Rate were a more positive thing—that it should assume the more manly role of being a leader rather than create the impression of meekly following money market operations. However, lower interest rates do not mean that money has become really "easy" and it is unlikely, in my view, that the time is yet ripe to adopt either deficit financing by government or easy policies by the monetary authority and the chartered banks.

It would seem that now, as in 1953 and 1954, price adjustments are necessary to maintain stability and prosperity at home and to ensure our competitive position in world markets. The fact that lower raw material costs have not been reflected in retail prices means today, as in that earlier period, that we have suffered not only from open inflation but from a concealed inflation of production and distribution costs.

The attempt by business to overcome high costs and consumer apathy through easier credit terms, always unsound in itself, must by now be especially unrewarding. Consumer instalment credit is already expanded to the limit, and terms, including "no down payment" could scarcely be made more generous. Already we are receiving news of an increase in time-payment delinquencies, and the implication clearly is that today's sales are being further inhibited by the mortgage on disposable income, which is the heritage of excessive credit commitments in the past.

The process of healthy adjustment would seem now to require the elimination through price reductions of inflated production and distribution costs. A tight money policy has inhibited inflation and has indeed been instrumental in breaking the circle and ending, for a time at least, the round-robin cost and price increases that can continue indefinitely only if the money supply or the velocity of the monetary circulation is allowed to increase.

With the inception of a tighter money policy some two years ago, it was arranged between the Bank of Canada and the chartered banks that the latter would maintain a secondary reserve of 7% of Canadian deposit liabilities in day-to-day loans and Government Treasury Bills. The maintenance of secondary reserves by the banks was nothing new: the innovation lay in stating reserve requirements in terms of a positive objective.

What we have now to avoid is that this objective should become an inflexible figure. An inflexible reserve is not in fact a reserve at all but a compulsory investment. Frankly, as matters now stand, rather than sacrifice securities, the Royal Bank of Canada would not hesitate to allow its secondary reserves to fall below 7% for a temporary period: provided always, of course, that we knew chartered bank reserves as a whole were in excess of the prescribed figure. Clearly, we would only be taking care of a temporary swing which would soon correct itself.

Secondary reserve requirements are now calculated on a monthly average. As a means to greater flexibility, but still adhering to the arrangement, I think we might well consider as a minor, though important, modification that secondary reserves be calculated on a quarterly average of chartered-bank deposit liabilities in Canada.

II

Chronic Inflation?

This brings us to a problem that transcends the events of the immediate past: "Must we look forward to a gradually rising tide of inflation such as we have witnessed in the years since the Second World War?" On this rising tide there may be waves that lift the level of prices sharply, after which the waves break and subside. But if we look at the various waves of inflation since the war, we find that prices fell very moderately, steadied or very gradually rose for a period, and then rose sharply once more in a new inflationary wave. Perhaps, then, we should consider the course of the tide and not merely that of the individual waves. We may debate which wave will destroy the child's sand castle on the beach, but in a rising tide the castle will be just as surely and effectively destroyed in a perfectly calm sea. Similarly, a wave of inflation may create great or little harm in the short run, but if the tide of inflation is rising the long-run effects may be of supreme importance to the future of the economy.

Moreover, the harm that inflation does may in the long run bear even more cruelly on certain classes of the population than it does in the short run. Perhaps I may make my point clear by considering the effect of creeping inflation on those classes.

If, for example, we were to read in our papers that a part of all old age pensioners' checks had been stolen; that someone had picked the pockets of all those drawing superannuation payments; that widows and children had been robbed of some of the meager income which a hard working man had striven to create for them: if we read all this, would there not be a tremendous hue and cry throughout the land and would not almost superhuman efforts be made to apprehend the marauder? Well, he is still around. His name is "Inflation."

But to catch the marauder we must know something more of his genesis and life history, and here I am thinking particularly of the chronic type of inflation that monetary and fiscal policy seem unable to reach. The typical kind of inflation usually arises from the fact that business and consumer spending temporarily exceed the supply of goods at current prices or, in the common and useful phrase, we have "too many dollars chasing too few goods"; but the key word is "temporarily." In the past, spending sprees of this kind have been followed by a dull morning-after, a business depression or recession, that brought prices back to a reasonably stable norm. In contrast, the alternately "creeping and surging" inflation we have been through since the Second World War seems to belong to a different genus. How do we account for the difference? I would suggest a number of possible explanations—

(1) The impact on the economy of large government budgets.

(2) The buoyant effect of large liquid holdings, consumer credit, or other means of increasing private expenditure beyond current income.

(3) The buoyant effect of a round-robin of cost-price increases interdependent to a degree with (1) and (2), but greatly accentuated by other developments in public and private economic policy.

(1) The large governmental budgets of wartime and post-war years, combined with the nature and composition of taxes and expenditures, have made increasingly important certain built-in stabilizers that tend to damp down fluctuations in the national income and expenditure.

Thus our **progressive** income tax structure causes government revenues to rise faster than the over-all rise in the national money

Continued on page 38

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Private Wire System

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our diesel educational program was stepped up and enrollment in these training courses totalled 3,085 by Oct. 31. Nearly 2,800 of our men have completed the basic course for engine maintenance and are now taking further courses to become familiar with details of locomotives of the various builders.

The new diesel maintenance shop at Cote de Liesse (Montreal) should be in operation by the summer of 1958 and work is under way on a similar shop at Edmonton (Calder), to be in operation by the end of 1958.

Meanwhile conversion of motive power shops from steam to diesel electric repairs has begun at Moncton, Point St. Charles (Montreal) and Battle Creek, and plans for a similar conversion at Transcona (Winnipeg) are in preparation.

Good progress was made on construction of yard facilities at Battle Creek, Flint and Pontiac, Mich., and at Sarnia, Ont., and Joffre, Que., all of which should be in operation in 1958.

Studies on development of major classification yards in Canada were centered in Moncton, Montreal and Winnipeg. In the case of Cote de Liesse Yard, Montreal, a contract was let for grading, and clearing of the site at Moncton will also commence shortly. Signalling equipment valued at nearly $3,000,000 is on order for installation at the Cote de Liesse hump yard, one of the largest installations of its kind on the continent.

Operating Efficiency

Work continues on the lengthening of passing sidings to accommodate longer trains and to handle traffic more efficiently. With the work planned for completion during 1958, sidings from Montreal to Winnipeg will accommodate 100-car trains, and those between Winnipeg and Edmonton 117-car trains.

The six-year main line track improvement program on the Western Region moved ahead on scehdule in its second year. Bank widening and ballasting has been completed during 1957 over a distance of about 300 miles.

New rolling stock acquired during 1957 includes 6,524 freight cars, 100 passenger train units and 152 units of work equipment.

Other improvements in operating procedures are being achieved by completion of a through teletype circuit for handling train manifests between Montreal, Toronto and Winnipeg, and extension of this system through to Edmonton and Vancouver, now under way; installation of a car tracing teletype circuit between Montreal and Joffre and between Montreal-Capreol-Hornepayne; studies of train marshalling programs to improve yard efficiency; work on progressive installation of C. T. C.—type signalling on the transcontinental line; studies aimed at mechanization of all car accounting functions.

A major aid to speed and efficiency was acquired during the year with installation of an advanced IBM Type 650 electronic computer. Housed in a computer center in the International Aviation Building in Montreal, this data processing machine and other modern machines working with it are progressively taking over pay computing and production of pay cheques for the entire CNR system, and will also be directed at other functions requiring mass data handling. This automation program will be of invaluable assistance in speed and efficiency of accounting and clerical operations and in supplying some of the statistical information upon which many decisions of management are based.

The year also saw acceptance by the CNR of a master plan for a development that will eventually transform 21 acres around Central Station in Montreal into a striking business, commercial and entertainment center of massive proportions. A model of the buildings and the area, which is to be called Place Ville Marie, was unveiled last August. It was prepared by Webb & Knapp (Canada) Ltd., who have leased seven acres of this area. Under the agreement with this company, construction of buildings on the area under lease will be substantially completed within five years.

New Hotel

A major highlight of the Canadian National system during 1958 will be the official opening of the Queen Elizabeth Hotel in mid-April. Construction of the hotel has proceeded on schedule. Directly adjoining the CNR's passenger train facilities at Central Station, this latest in the system's chain of distinctive hotels will make Montreal one of the world's main convention cities.

In the field of communications, Canadian National Telegraphs established during the year 47,000 miles of carrier telephone and 110,000 miles of carrier telegraph channels to meet the continuing heavy demand for private wire and other related services. Extensive facilities were also provided for use by the Canadian Government in defense purposes.

CNT also placed in operation tape relay message centers at Moncton, Winnipeg and Vancouver, and work is proceeding on a similar installation in Montreal, to be completed in 1958. These relay centers greatly speed the service and effect substantial economies in message relay handling.

"Telex" service, inaugurated jointly with Canadian Pacific Telegraphs in 1956 between Canada and overseas countries, was expanded this year to provide service between many of the larger points in Canada. "Telex" provides direct dialing and instantaneous two-way communication by teleprinter between its subscribers. The service is receiving an excellent response from business organizations.

CNT completed survey work and began construction of a microwave system between Sydney, N. S. and St. John's, Newfoundland, for television and general communication service. During 1957 microwave facilities were extended, jointly with Canadian Pacific, to provide CBC television network service to stations at Rimouski and Jonquiere, Que.

G. B. GORDON

President, Dominion Textile Company Limited

The outlook for the Canadian cotton manufacturing industry in 1958 and beyond is closely connected with the outcome of a series of hearings before The Tariff Board, Ottawa, scheduled to take place in the first half of the new year. A reference of the textile tariff items, comprising cotton, wool and synthetics, to The Tariff Board was announced by the Minister of Finance in September, 1957 and reflects the interest of the new Canadian Government, which came into office following the Federal election of June, 1957, in the plight of the textile industry in Canada.


George Blair Gordon

In the U. S. A., when imports have become 5% of domestic production, remedial steps have been taken to correct or hold the situation in check. Canadian textile manufacturers have seen from 25% to 50% of their domestic market taken over by imports during the last few years. The record of the industry since 1951 has been one of loss of employment, financial failures or difficulties, and little or no opportunity to share in the expanding economy of the country.

Tariff reductions made from 1938 onwards, together with weakening of customs laws against dumping and sub-cost importations, left the Canadian market open to the impact of the widespread depression in the textile industry which came in the aftermath of the Korean War, and which has persisted in one place or another up to the present time. Despite their difficulties, the stronger units in the industry have followed a policy of maintaining their plants at a high level of operating efficiency. Aggressive merchandising has been supported by prompt deliveries and a wide assortment of manufactured goods in order to meet the situation which arises from the ready supply available across the border. The discount value of the American dollar in Canada during recent years has also played its part in facilitating the entry of American goods from the standpoint of laid-down cost in Canada. The Royal Commission on Canada's Economic Prospects has predicted a steadily expanding consumer demand over the next 20 to 25 years, while the report of National Industrial Conference Board, which was requested by the Commission to report on the primary textiles industry, makes it clear that, in their opinion, the industry is well managed and in a position to take good care of a large proportion of Canadian market requirements.

With these basic considerations in mind, it seems reasonable to look forward with some confidence to the future of the Canadian cotton manufacturing industry.

A. E. GRAUER

President, British Columbia Electric Company Limited

The next 12 to 18 months may eventually be described as a period of economic consolidation. During this interval, some industries may experience a falling off in output and revenue. Yet, to others like my own, something less than our extremely rapid postwar rate of growth will have its compensations. With fewer demands being placed upon them, our engineering and operating departments will have a greater opportunity to plan for the orderly development of their services in the years which lie ahead.


A. E. Grauer

Few commodities have been required in such volume as have electricity and natural gas. Consumption has increased steadily over the past quarter - century. Sales have been doubling every six or seven years. Utilities concerned with the marketing of these highly desirable forms of energy have, therefore, come to be regarded as sound investments, whether the short-term outlook is good or bad.

We have encountered periods of adjustment before. On such occasions, sales to some types of customers have tended to level off more than others. Sharp cut-backs in the output of certain manufacturing plants, though short-lived, can cause the over-all requirements of industry to level off for some months. Residential and commercial customers may also postpone their investments in new power-using and other durable equipment. Yet, compensating influences are usually at work. Population growth and the drive for greater efficiency in industry constantly result in the opening up of new accounts and the growth of others. Not only are new homes and stores being built, but industries whose sales are falling off will want to install more labor-saving devices. On balance, these decisions will augment the business done by the electric power and natural gas distributing companies.

The outlook, of course, differs from one region to the next. In British Columbia, our resource industries have been expanded considerably over the past decade. Now, as the postwar programmes of expansion are being completed, we find that export markets are not able to absorb all of the lumber, pulp and paper and mineral products which they are able to produce. Inventories have been mounting and over-production has resulted in lay-offs in some outlying communities. Firms supplying these industries with process materials and equipment are affected, as are various wholesale and local retail outlets whose activities are tied more closely to consumer spending.

There are reasons for optimism as well. With an easing of credit restrictions and a reduction in down payments, more houses will be built this year. Investments in new stores and other commercial establishments may be higher than in 1957. Capital outlays on new churches, schools, hospitals, roads and other civic and local improvements may also be stepped up. These influences, together with a modest recovery in B. C.'s exports of lumber and pulp and paper products, may yet suffice to make the current year one of the best in British Columbia's short, though spectacular, history.

B. C. Electric, like most other utilities, must plan for the longer-term future. Its expansion programme reaches three to five years ahead. During 1958, we will be spending nearly $100 million on the construction of new plants and the installation of new machinery and equipment. This is close to our all-time high of $110 million in 1957. Around $80 million will go towards the erection of new electric power generating, transmission and distribution facilities. Ten million dollars will be devoted towards the expansion of our sales of natural gas. At least five million dollars will be spent on the re-equipment and modernization of our rail freight and urban transportation systems. As about 70% of these monies will go towards the purchase of materials and the payment of salaries and wages in our area, my Company will obviously be doing its part to make 1958 a relatively prosperous year for the Province of British Columbia.

J. G. HUNGERFORD

President, National Trust Company Limited
Toronto, Canada

There is no diminution of confidence in the long term outlook for Canada; indeed that confidence is strengthened by current experience. Only the immediate future presents some uncertainty.


J. G. Hungerford

The downward trend of business activity seems certain to continue into 1958, paralleling a further decline in capital spending. The profit squeeze will relentlessly separate the men from the boys and higher earnings can only be expected in selected industries. This salutary process, at least temporarily, should dampen the fires of inflation.

Mortgage interest rates would follow a further easing of bond yields, and this may stimulate borrowing. The growth of savings should continue on the same scale as in 1957.

EDWARD H. LABORDE

President, Canadian Homestead Oils Limited

The favorable geological outlook for Canada's oil and gas industry, promises substantial new discoveries in 1958. These in turn will accentuate the need to widen established markets and to develop new areas of distribution.


Edward H. LaBorde

Creation of new markets will be a matter of first concern to the industry's leaders throughout the year, and particularly to Canadian Homestead Oils Limited. The United States and Canada consume annually a tremendous volume of petroleum products. Canada's oil and gas reserves should make an important contribution to the future requirements of both countries.

In this connection both nations have a mutual interest in the development of an economically strong North American oil industry. In the event that Middle Eastern sources should be cut off, this industry must have been prepared to supply oil needs of two highly industrialized countries. The industry itself will be able to increase its reserves only if normal growth has been assured through markets for its present production.

The industry in the United States is receiving governmental support in the form of import restrictions, designed to strengthen domestic producers. Unfortunately, these restrictions have been applied to Canadian oil as well as to Middle Eastern and other distant sources. In my view, Canadian oil is an integral part of the combined North American supply, available for industrial and defense purposes. Therefore, in its own interest the United States should permit increased marketing of Canadian crude, whenever economically feasible.

In Canada itself, the Canadian Government can actively support oil and gas producers in their efforts to create wider markets. As an example, the Montreal area currently imports more than 260,000 barrels of oil each day, principally from Venezuela. For Canadian crude oil to gain access to this market new pipe lines and other transportation facilities must be built. Such a program would need to be backed by Government policy, to persuade the Canadian refinery industry to establish its own voluntary control of imports. While voluntary quotas are the soundest approach, the Canadian Government must consider the possibility of import duties on foreign crude to strengthen its own producing industry.

Furthermore, the Canadian Government can take positive action to help cultivate markets for oil and gas

Continued on page 30

Behind the Headlines in Canadian-U. S. A. Relations

By HON. LIVINGSTON T. MERCHANT*
Ambassador of the United States to Canada

American Ambassador to Canada answers principal Canadian grievances regarding our trade, investments, and surplus crop disposal record, and claims U. S. A. is not a "free trader" and must keep favorable balance of trade to continue "our shares for the defense and economic well-being of the free world." Avowing friendship, Mr. Merchant vouches there are no malefactory designs behind our exports or investments, holds Canada responsible for adverse trade balance and extensive U. S. investments and acknowledges more must be done to lessen surplus disposal harmful side effects. Turning to our world leadership role, author states "serious negotiations must be conducted in private . . . and it is folly . . . to think negotiations are . . . an end in itself" since there are some things "we cannot in decency compromise."

I

A Change in Mood

It is now nearly two years since I was appointed as United States Ambassador to Canada and in recent weeks I have been reflecting on where and to what extent my ideas of Canada and our relations with it have changed in that interval. I was not unfamiliar with Canada when I came here on this assignment. I had visited a number of times as vacationer, tourist and official. I had many Canadian friends. Indeed, I think it is accurate to say that at every foreign post in which I have served my best and closest friends outside of our own Embassy have been Canadians. Moreover, in my former capacity as Assistant Secretary of State I had during more than three years direct responsibility to Secretary of State Dulles for our relations with Canada.


L. T. Merchant

I arrived in Canada with certain convictions. The first was that Canada is more important to the United States than any other country in the world. Since I came here there has been no alteration in that conviction. It has deepened.

Secondly, I arrived in Ottawa impressed with the deep well of friendliness toward Canadians and things Canadian in the United States. This, too, is unchanged. There exists also, I am satisfied, a basic friendliness on the part of Canadians for those south of the border though it is accompanied by the constant apprehension, as someone put it, that the great elephant to the south, in the most friendly and unconscious way may roll over in his sleep and inadvertently break Canadian bones. I realize better than before that Canada doesn't want to be taken for granted. No one does. Neither do we.

Thirdly, I felt sure two years ago that though problems existed between us and more would arise, they would be relatively rapid and easy of solution. I accepted, I think, the statement which was current at that time that our relations would no longer be "automatic." I think, though, that at the time I took the phrase in the sense that as our economies expanded side by side the points of contact with inter - relationship would grow in number and that as the world became more complex in this age of science we would have more problems to solve, many of which would not be susceptible to traditional approaches. I did not then believe that as the problems multiplied and became more complex the atmosphere itself might change and with the change solutions become more difficult.

This I now believe may be happening. There have been for a year or more signs of a change in mood or climate which it behooves both our countries to look at. I am convinced that on both sides there is a basic friendliness and respect between our two peoples. This is well, for we each have deep need of the other. This basic attitude, however, does not automatically produce smooth relations.

II

Three Grievances

When I say this I do not pretend to set myself up as an expert on Canada or as understanding Canadians as well as you understand each other. I can claim, however, to have tried to increase my understanding of this great country. I have traveled over 50,000 miles in the last year and a half—by air, by train, by automobile, and infinitesimally on foot. I have been pretty much all over this thriving province of Ontario—west to the Lakehead and south to Windsor. I have set foot in all 10 provinces. I have been to the mouth of the Mackenzie and spent a night on Victoria Island in the Arctic Circle. I know Frobisher Bay on Baffin Island and Labrador and Newfoundland. I have been twice to Vancouver and twice to Nova Scotia. I know the cities and the woods of Quebec. I have been in Calgary, Edmonton and Winnipeg several times. And on all these visits I have met and talked to people in government, in business, journalism and banking, and in the universities. I read five of your newspapers from Winnipeg to Montreal every day—and a half dozen others, though less thoroughly.

So it is against this background that I say I think I have detected signs of a change in the mood of Canada in the past 12 months in so far as its relations with the United States are concerned. This is terribly important to me and I think it is important to Canadians as well. We are both living in an increasingly dangerous world and, as Benjamin Franklin said during a period when Canada and the American colonies did not see eye to eye: "We must all hang together, or assuredly we shall all hang separately."

This change which I think I detect is reflected in a steadily growing criticism of certain policies of the United States Government or actions which are assumed to reflect policies of the United States Government. As a contribution to a better understanding by Canadians of the United States, I thought that tonight I would discuss several of these subjects. In doing so, let me be frank in saying that we do not have the time nor, do I believe, would you have the patience for me to give a comprehensive and completely balanced exposition on each point. I stand here as an advocate for my country and for my government. I would be the last to assert that we don't make mistakes or that all our decisions and actions inure to the benefit of Canada and none harm her. From much that you read you are familiar with these aspects of the matter. My approach admittedly is to seek better to explain the United States.

The three general topics or areas of our relationship which I plan to discuss are, first, the question of trade between our two countries and United States investment in Canada; second, our surplus wheat disposal policies; and third, this matter of how the United States is trying to discharge its responsibilities of leadership in the free world. In this latter connection I want to say a few words on the question or negotiation with the Soviet Union, which has figured so prominently in recent newspaper and radio comment.

III

Answers Complaints

Let me turn now to trade and investment between our two countries. There are several aspects of this relationship which sometimes seem to be forgotten or overlooked. First of all, like Canada, the United States is what can be called a private enterprise country. Goods are bought and sold on what is to a very real extent a free market. We do not have a socialist or planned economy. We do not have state trading as is the case in Russia, where every import is purchased by the government and every export sold by the government. Like Canada we are not "free traders" in the classical economic sense of the word, but we do believe in liberal trade policies. We believe that not only prosperity but peace rest to a very considerable extent on the relatively free movement of goods, as well as people and ideas, between members of the trading community of the world.

What does this mean in connection with the complaints one sometimes hears that the United States has forced on Canada exports of goods so greatly in excess of imports it takes from Canada that the resultant imbalance is dangerous to Canada? The inference frequently drawn is that Canada can only pay for this excess of imports from the United States by borrowing money or by selling its birthright of natural resources to foreigners south of the border.

Now, since the United States is not a state trader, I think it fair to say that the problem—if in fact it is a problem—is a Canadian problem and not one created or forced on Canada by a predatory neighbor. Imports into Canada from the United States represent in the aggregate the individual choices of millions of Canadian private citizens buying what they want, on terms which they consider more advantageous than are available elsewhere. If Great Britain or Germany or Ruritania can offer to Canada better iceboxes or machine tools or leather goods or whatever at lower prices for the same quality and with comparable delivery and maintenance terms, then the Canadian consumer will turn to Great Britain or Germany or Ruritania for those needs. We lieve in a competitive world and I don't think you will find us complaining if we prove unable to meet competition, provided that it is fair and not encouraged by discriminatory import measures.

The point I am making is that it is the choice of individual Canadian consumers which controls the volume of imports into Canada from the United States. It is not a United States Government policy.

The second point I want to make runs to this habit of isolating Canada's trade relationship with the United States from all of Canada's other trading relationships. I believe, and I think most enlightened economists around the world believe, in what is called "multilateral" trade. This means simply that it is the totality of a country's imports and exports, with the resultant balance, which determines the health of a country's foreign trade position. If you try to balance your books every three months or every year with each individual country, you come down to barter which is, I believe, the most restrictive and stultifying basis on which to trade that any sensible person can imagine. If one country wants coffee and the sole coffee producer only wants peanuts, which Canada, for example, doesn't raise, then Canadians go without coffee at breakfast unless they sell wheat, or whatever else they have to sell, to a third country which produces peanuts, which are then shipped to the coffee country which enables the coffee produced in turn to ship coffee to Canada. In this case it is as simple as that. I have oversimplified, of course, but basically that is how multilateral trade operates.

Now when you look at Canada's total trade balance the picture is considerably different from what it appears when you look only at the table of imports from and exports to the United States. The excess of total Canadian imports over exports is far smaller. Moreover, I think few would deny that the margin is largely accounted for by imports of capital goods designed to increase Canada's own future production, and hence quite properly, in the case of an expanding economy like Canada's, to be paid for "on time."

As for United States investment in Canada—this also seems to me essentially a problem, if it is a

Continued on page 39

*An address by Mr. Merchant before the Women's Canadian Club of Hamilton, Ontario, Jan. 22, 1958.

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in the United States. As a first step, it should relax restrictions on the exportation of Canadian natural gas. In the Province of Alberta supplies are available for export to the United States without in any way curtailing future domestic gas requirements of Canada.

As a potential exporter of oil and gas, Canada must compete price-wise with other sources. To do this Canada should revise its tax structure and help make the oil industry fully competitive. As an example, depletion allowances in Canada are granted only on net income. This is in marked contrast to the United States procedure, which permits depletion to be based on gross income. Through changes in this and other aspects of the Canadian tax law, the Canadian industry can be placed on a more equal footing with the United States industry.

The North American continent is fortunate in having available for future use substantial reserves of oil and gas in western Canada. We should be endeavoring to strengthen our North American petroleum economy by reciprocal development rather than by reciprocal restriction. Such would be to the immediate and the long-term advantage of both nations.

With the leadership which the Canadian industry has shown, supported by forceful Government policy, in 1958 much can be done to establish sound markets and strengthen future growth. In this way, Canadian Homestead Oils and other western Canadian producers plan to make further worth-while contributions to Canada's economic development.

H. M. SPENCER LEWIN

Vice-President, Bowater Corporation of North America, Ltd.

The probabilities now are that it will take at least two years for newsprint consumption to catch up with existing capacity and with the increased capacity that will be available in 1958 and 1959. Meanwhile, the cost-price squeeze is still with us and the Canadian dollar remains at a premium.


H. M. S. Lewin

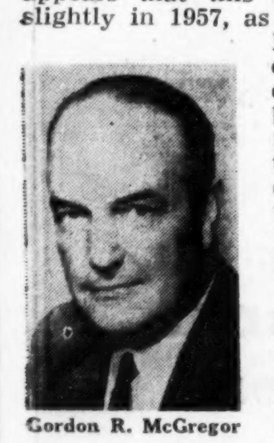
All these things present a challenge to government, management and labor in their respective spheres.

It is my view that the long-range planning of the Canadian pulp and paper industry has been sound, but we may now have to take a bit of a breather for a year or two, which is not necessarily a bad thing for all concerned. Certainly the industry was never in a better position to tackle the problems of the immediate future and to move ahead when the new upswing takes place.

G. R. McGREGOR

President, Trans-Canada Air Lines

In recent years the world wide air transport industry has expanded by approximately 15% annually. It now appears that this rate of growth may have slowed slightly in 1957, as reflected in the year-end trend in North America. Any decrease in the expected growth of the industry is of concern to airline management because it has been possible to maintain fare levels only by reason of the lower unit operating cost which can be achieved with increased traffic volume. In the past, this has tended to offset steady increases in the cost of labor and materials.


Gordon R. McGregor

We nevertheless expect a moderate traffic increase in 1958. In the case of Trans-Canada Air Lines have been made for the provision of additional capacity to meet public requirements. In the coming year we shall put in service an additional eighteen of the popular short to medium range Viscount prop-jets. Two more of the large Super Constellations will be in operation on the longer haul services.

With the advent of more prop-jet equipment TCA anticipates further expansion of its trans-border services. By summer, we expect to increase our Montreal-New York and Toronto-New York services to ten daily flights in each direction. There will be moderate increases in most of our services into Seattle, Chicago, Cleveland and Boston, and our Canada-Florida services will reach a higher peak at the height of the southern tourist season in February.

Trans-Canada Air Lines will introduce an approximate 13% Domestic tourist fare reduction in 1958 and it is hoped that this will attract more business by making air transportation available to a broader income group. At the same time the discount on round trip first class services will be reduced from 10% to 5% bringing TCA's fare structure more in line than those of other North American carriers. TCA carried 2,375,000 passengers in 1957.

The high capital investment in new airplanes for the transition to the turbine or jet age is a sign of the air transportation industry's confidence in the future of our economy.

Trans-Canada Air Lines is investing $200,000,000 in its changeover to become one of the first airlines to be completely turbine powered in 1961. Our fleet will consist of Douglas DC-8s, Vickers Vanguards and Vickers Viscounts.

NEIL J. McKINNON

President, The Canadian Bank of Commerce Toronto, Can.

Developments in the past six months suggest that the Canadian economy has entered a period of consolidation of the very considerable gains made during the previous two years. Certain industries are undergoing corrections, while others, still at an important stage of development, continue to make new gains. While the economy, on balance, shows signs of slowing down, we must bear in mind the extraordinary levels from which the slowdown started, and the fact that all our productive resources were operating under great strain. In the circumstances, some deceleration in the rate of expansion was not unexpected.


Neil John McKinnon

The pressure on labor and resources is now measurably lessened as a result of an abnormal gain in the labor force, and increased capacity coming into production following the heavy capital expenditures of the past two years, while much of the upward pressure on prices, particularly of raw materials, has subsided.

A net decline in interest rates and some leveling off in aggregate loans has occurred in recent weeks, but there is as yet no significant indication that the money supply is tending to be in excess of demand.

We may reasonably expect a period of more normal growth in 1958, with an aggregate level of production in terms of volume not greatly different to that of 1957. Increasingly keen competition, both at home and abroad, seems likely to result in pressure on profit margins, and will require the highest possible level of productive efficiency.

The level of capital investment will be an important factor, and while it will probably not repeat the sharply rising trend of the past two years, a relatively high level is expected to be maintained in the coming year. Declines in some categories are to be expected, but should be substantially offset by continuing heavy outlays in others.

Postwar adjustments to changing conditions, of which there have been three, have been mild, and if 1957-58 proves to be a fourth, past experience suggests that the long-term pattern of growth will not be affected.

CLIFFORD W. MICHEL

President, Dome Mines Limited

For at least two decades, the Canadian Gold Mining industry has patiently waited for alleviation from the two fundamental outside forces that constrain its ability to earn a fair profit. Simply stated, it needs either a higher price for the gold it produces, or it needs a general economic atmosphere of stability in which operating costs, incurred in winning the gold from its reserves, could be controlled and whittled down.


Clifford W. Michel

On the price side of the equation, the industry has been faced with a fixed immovable figure of $35 per ounce set by the U. S. Treasury in 1934. To compound the problem further, as the Canadian gold mine is paid by the Royal Canadian Mint on the basis of the going rate of exchange between the U. S. and Canadian dollar, it has watched the Canadian price for its production decline from $38.50 per ounce, when the Canadian dollar was at 10% discount, to a price as low as $33.15 per ounce in the year just past as the Canadian dollar rose to a premium of more than 6% over U. S. In the face of such a price pattern bearing down upon the income side of the equation, the balance of profit has been constantly lowered as the costs of material and labor constantly rose under the pressure of world-wide inflation.

Under such conditions, it was obvious that many of the marginal mines would be compelled to close and the production of gold, much of it being a by-product of base metal operation, has barely held steady at about 4,400,000 ounces per annum. Production moreover would be substantially lower if the Canadian Government did not continue the Cost Aid Program which, while it provides no benefits for the low cost producer, at least is helpful as a subsidy to certain of the higher cost segments of the industry in keeping them alive.

About the middle of the year just closed, there were signs that some alleviation of the industry's problems might be in the making. The world-wide postwar inflation which forced up prices generally, except gold, and induced the creation of vast new production facilities, appeared at last to have created a volume of goods greater than the consumers required, at least at the prices then prevailing. Indices of production and raw material prices in Canada and the U. S. started a decline that has not yet been stopped. This, if continued, should tend to create a more stable general price level, hopefully at a lower plateau, and the cost side of the miner's equation has a reasonable chance of being brought under control.

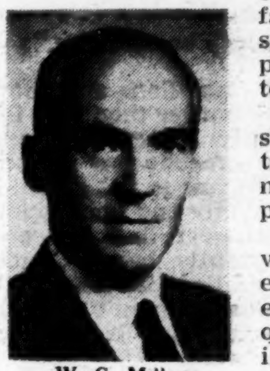
The same factor of physical over-capacity and declining volume of production and prices also reversed the rising trend of the premium of the Canadian dollar over that of the U. S. As this premium fell from over 6% (in July) to about 1% currently, the industry is once again receiving more than $34 per ounce for its production and with parity, or even a discount in sight a price of $35 per ounce or better, in Canadian funds, is within the realm of possibility.

On the last fundamental of the U. S. buying price for gold, there has been no change in the U. S. Treasury's position. It continues to oppose the requests of virtually every member of the International Monetary Fund to raise the price so as to increase the value of the gold reserves of all the central governments of the world. However, if a decline in the volume of free world trade were to continue for any length of time, or even if there came into being a lack of "full employment" in the U. S., it is conceivable that there could be set in motion the forces that would lead to a world-wide rise in the price of gold.

WILLIAM G. MILLER

President, Montreal Locomotive Works, Limited

Nineteen Fifty-Seven has been a good year for Montreal Locomotive Works with increased volume experienced in all product lines. While competition has been keen, such factors as product design improvement, new cost-saving installations as well as facility rearrangement, and close supervision over manufacturing processes have enabled the company to maintain its profit margins.


W. G. Miller

During 1958, it is evident that we shall again experience sharp competition. For this reason, we expect next year to place continuing emphasis on cost control.

It appears that industry in general will consider installation of capital equipment chiefly for manufacturing efficiency and to meet customer quality requirements, rather than to increase capacity.

Because of these factors, we feel that domestic requirements for MLW products will continue at a good level next year. In the export market, however, we believe that the premium on the Canadian dollar, and the availability of more favorable long-term financing from the United States, will continue to exert an adverse effect on the export of capital equipment from this country.

L. M. RAMSEY

President, Belding-Corticelli, Limited

In attempting to give a statement on the outlook of business in our field no doubt the first requirement is to define just what our field comprises.

Threads: (Nylon, Cotton, Silk, Rayon, etc., in a great variety for the Wholesale, Retail and Industrial markets).

Ribbons: (largely Rayon and Nylon, also in great variety).

Braids, Tapes, Shoe Laces, Elastics (on a wide variety).

Also Women's and Children's **Knitted Outerwear, Full-Fashioned Hosiery,** etc., etc.

The Full-Fashioned Hosiery Industry in Canada, like its counterpart in the U. S. A., has been plagued by over capacity for over six years and prices have been dropping steadily until they reached an all-time low in 1957. This has naturally adversely affected our year's operations but although we look for very tough competitive conditions generally in 1958, we have taken a number of steps which will operate to lower costs, and are hopeful we will be in a position to meet this competition and possibly show improved results over 1957.


L. B. Ramsey

There is some indication that hosiery prices may soon start to improve and, although recent business in general in Canada, as in the United States, has been very slow, with many mills closed down for two weeks over the holidays, we feel that there should be a marked upturn evident within the next week or so. We believe textile inventories, both at the manufacturing and retail levels, are low and salesmen have been off the road for three weeks and are just starting out again.

Looking to the year 1958, our two greatest problems are imports of foreign textiles and the unrealistic attitude of some of the labor unions.

Imports continue to grow at the expense of the domestic industry, in some lines of textiles taking more than 50% of this market. Japan, particularly, poses a serious threat, and in a number of our lines, notably elastics, has cut seriously into our trade. We are hopeful that, after the textile tariff hearings are completed sometime this year in Ottawa, we will be afforded more protection, particularly from low wage countries.

Labor continues demanding more money each year despite the generally depressed state of the industry and in the face of stationary or lower selling prices, which, of course, results in more and more imports and gradually lessened job opportunities for Canadian workers.

To sum up, although we expect 1958 will be a difficult year for Canadian manufacturers, we do not think the impact on the textile industry will be too serve and look for considerable improvement in the latter half.

Our own position is a very liquid one with no bank or other loans outstanding and, provided the international picture does not worsen, we look forward to the future, particularly the long term, with reasonable optimism.

Continued on page 32

The Prospects for Uranium Look Extremely Encouraging

By HON. R. H. WINTERS*
President Rio Tinto Mining Company of Canada Ltd.
Toronto, Ontario

Ex-Canadian Federal Public Works Minister optimistically explains why he believes uses and demand for uranium will increase progressively as the years go on, notwithstanding fusion, breeder materials or development of other energy-sources. Mr. Winters sees no point in using—in not too many years—coal as a fuel, let alone importing it for electric power, and urges meeting tough competition for thermal reactor in Canada and abroad without ignoring long-run issue of breeder reactors and controlled fusion energy. Concludes pessimists will be confounded ten years hence with shortage of uraninum at economic prices to meet growing upsurge in uranium demand

I find that the work in which I am now engaged is not greatly unlike that with which I was occupied for the past nine years. In both roles I was concerned with the development of the resources of the country and I can think of nothing more fascinating.


R. H. Winters

For a number of years, whilst I was responsible for the Department of Resources and Development, part of our job was to study the sources of potential hydro electric power and to keep the public informed with respect thereto. In that broad field there are many interesting situations, among the most intriguing being our international waterways and the uses that our relative countries should make of them; but in addition, there are the vast blocks of untapped water power, such as those in the Columbia River, the drainage basin of the Yukon, the Hamilton River, the tides of the Bay of Fundy and others which upon, even cursory examination, open up enormous horizons for the future growth and development of Canada. But there are areas of Canada where all water potential is already fully developed and alternative sources of power must be used.

As a Nova Scotian, I have always had a keen interest in coal as a fuel because so much of our local economy is dependent upon it. Here is resource that is far more valuable than most people realize. The full potential of coal won't be developed until its principal utilization is in the chemical and metallurgical field, rather than as a fuel where it required about 1,500 tons of coal to deliver the same energy as one pound of uranium. I heard one prominent United States citizen speculate publicly that in the years that lie ahead, it will be a punishable offence to use coal as fuel. That may be extreme and in this country where we have such vast resources of this mineral, it is difficult to conceive that the day will ever come when we will have to practice stringent conservation measures to ensure that sufficient coal is available for other and perhaps more important purposes. But even with a resource that now seems to be almost limitless we must contemplate the day when it may have to be reserved for its best use.

Merits of Uranium

Having been immersed in problems related to energy sources with which Canada seems to be endowed in such abundance, I hardly expected, even a few years ago, that I should now be discussing the merits of another source of energy and the prospects for its use in Canada's economy. I am, of course, referring to uranium.

Already uranium has made a tremendous impact on the economy of the country. By the end of 1958, uranium will be earning more money for Canada than any other single metal. Already many thousands of people are dependent on it for a living. By the end of 1958, there will be one whole new uranium mining community planned in every detail from the start and accommodating some 35,000 people. And there are other communities built around uranium.

The value of uranium as a fuel lies in the fact that it is the only naturally occurring material containing an isotope which will fission easily, with enormous quantities of latent energy being realized as a result. This is all part of the general concept of the splitting of the atom by what is known as nuclear fission.

There are, of course, other ways of using uranium to generate power and since I am relatively new in this business, I thought I had better refresh my memory on a few definitions which might also be helpful to one or two, even in an audience that is obviously so well versed in technical matters.

Today, we sometimes read in the newspapers about uranium being outmoded, even at this early date, by a process known as fusion, rather than the more old fashioned fission. Now, fusion, as I understand it, is the joining together of two nuclei, as opposed to fission, the splitting of one atom. The fusion of two hydrogen nuclei has already been achieved in the hydrogen bomb, and as is well known, the hydrogen bomb explodes with vastly greater force than the so-called atom bomb, based on the fission principle. In this process, hydrogen is the element used and uranium does not come into the picture at all.

Then, too, there are those scientists who warn us that the needs for uranium will be greatly diminished, once the fast breeder process is developed. Breeding in this field, as the name implies, is the process of creating, or breeding, within the reactor itself, fertile products which can readily be converted into fuel, thus limiting the need for uranium to the initial inventory. However, when I entered the field of producing uranium oxide recently, I did so in the confident expectation that the uses for uranium would multiply and that the needs for it would increase progressively as the years go on, notwithstanding fusion, breeder materials or the development of other sources of energy, and I will try to explain briefly why I feel that way.

Depicts Increasing Use of Uranium

In the first place, the fusion process, if it is to be used for the generation of energy for civilian purposes, implies a controlled hydrogen bomb explosion. There is here a gigantic problem to be solved. Reports and rumor of alleged successes in this field have been cropping up from time to time ever since the hydrogen bomb itself was successfully tested —and just recently it has been claimed from certain British press sources that British scientists have produced a controlled thermonuclear reaction under laboratory conditions. This is stimulating scientific news and it is hoped the research will be pursued because all such advances in technical knowledge are usually followed — sooner or later — by advances in human betterment. But I think it would be unrealistic to look for early practical utilization of energy from this source. It would be idle to discount the possibility of a technical breakthrough in this field sooner or later, but there is a world of difference between a laboratory experiment and the actual creation of an industrial plant which can supply the commercial system economically. In addition, the very size of the plant likely to be required, and the capital costs involved, would doubtless limit the use of this process, even if it were technically feasible.

Secondly, in the case of breeder reactors, we may perhaps forecast a technical breakthrough in the not too distant future, but such reactors would still have to prove themselves economically, and in any case require large initial inventories of uranium fuel. In short, I do not believe that controlled fusion energy need enter into our calculations of demand for nuclear energy for many years to come. The point I really wish to make is that the conventional thermal reactor—if one can use the word "conventional" for something which is essentially revolutionary—is here to stay for a very considerable time, and the thermal reactor feeds on uranium fuel.

In any forecasts of demand for uranium ore, we can make allowance if we wish for the possible advent of the breeder reactor in, say, 15 or 20 years' time, while taking into account the large initial uranium inventory which this type of reactor would require, but by then annual consumption requirements of existing thermal reactors will have reached a very substantial figure anyhow.

While it would be a mistake to dismiss from our minds altogether the longer-term issues of breeder reactors and controlled fusion energy, I think we ought to be devoting a great deal of our attention now to the thermal reactor and its development in this country and abroad. There are good economic reasons for making this statement which I should like to mention briefly. Future energy needs in Canada have already been closely and authoritatively estimated, but at this stage I think we might contemplate them for a few moments. As a nation, we have been favored with a particularly rapid rate of economic growth in that postwar era, and although we may be taking a pause for breath, I have no doubt that continued expansion will be the keynote in the coming years.

Why Import Coal?

If we assume that Canada will continue to expand electric power at a compound rate of 5% each year, we shall need 40 million kilowatts capacity in 1980, compared with about 16 million now, and about 100 million kilowatts by the end of the century. The total power available from all hydro sources — developed and undeveloped—is about 50 million kilowatts. Up to the present, hydro power has been meeting over 90% of our electrical needs, but it seems clear that in the years ahead we will have to turn more and more to electricity produced from other sources of energy. Mr. James S. Duncan, Chairman of Ontario Hydro, stressed only recently the urgent need to develop nuclear power in this Province, pointing out that by 1982 Ontario would have to import about $500 million worth of coal from the United States if no other source of energy were available. It would be irony if this country, a major world supplier of raw materials, with large reserves of uranium, should be forced to import even more of an essential raw material from our southern neighbor, with whom we are constantly trying to reduce our trading deficit. I cannot believe that it will come to pass. This is a problem which must be marked up already as urgent.

There is another sound economic reason why we as a nation should be devoting a great deal of thought to nuclear reactor development. At present, there are only four nations in the world with any sizable experience in this field. These are: the United States, the United Kingdom, Russia and Canada. It may confidently be anticipated that these four nations, including Russia, will be increasingly called upon to supply other countries with nuclear plant and/or "know-how."

An early example of this type of development has been the construction in India of the C-I-R-Canada India Reactor, under the aegis of the Columbo Plan. This is only a research reactor, but it is undoubtedly the forerunner of international transactions involving larger plant and which could add a valuable pillar to our export trade. Any enterprise which develops an exportable product which is needed by other countries is worthy of the maximum encouragement.

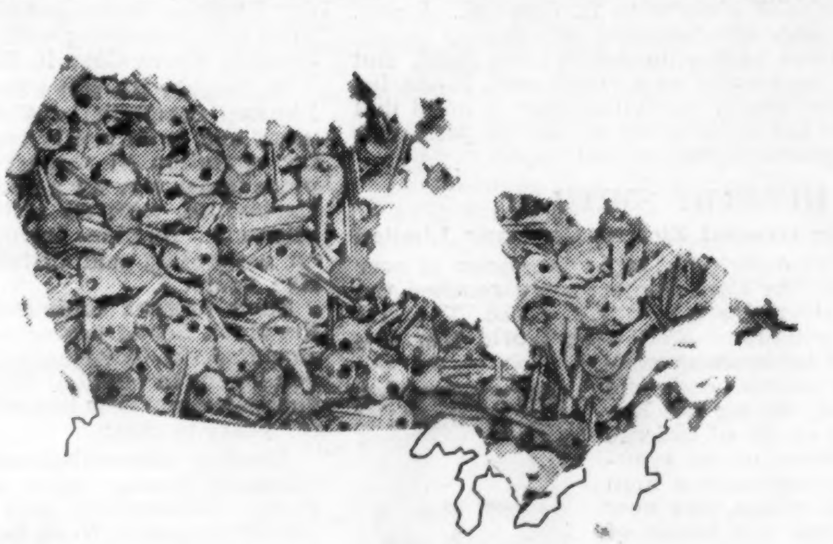
Nuclear Power Development Competition

In this connection it will pay us, and sometimes be sobering for us, to give close attention to nuclear power developments in the other three nations, who will after all be our chief competitors in the immediate future. It was only to be expected that the United States, with her international responsibilities and weapons program, should have engaged from the start in a tremendous effort of research into the creation and application of nuclear energy. As an indication of the relative size of United States activity in this field, I would mention only the three gaseous diffusion plants used for making fissionable U-235.

These installations require power plants whose generating capacity is about one-third of that of all the electrical generating plants in Canada. Under the aegis of the United States Atomic Energy Commission, American engineers and scientists are experimenting with several different kinds of reactor, and will undoubtedly evolve in due course a type which will combine optimum economy with

Continued on page 36

*An address by Mr. Winters before the Institute of Power Engineers.



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Continued from page 30

CHARLES ST. PIERRE

President, Banque Canadienne Nationale Montreal, Can.

The trend of business in Canada during this new year will depend above all on investments which will supply work and purchasing power, but it will also result from economic conditions in other countries, particularly the United States.


Charles St. Pierre

While it may be expected that the inflow of American capital will not be as large as last year, undertakings already in progress or projected will entail very large capital expenses. The prospect of a slowing down of economic activity and the narrowing of profit margins have induced many an industrial corporation to curtail or postpone projects which today may appear over-ambitious or premature. But to the heavy spending required for the completion of programs initiated over these last years by governments and private enterprise will be added the investments new constructions entail. A gradual easing of credit restrictions may induce smaller industries to effect urgent improvements too long delayed. Moreover, the rapid growth of the country will compel federal, provincial and municipal authorities to undertake various public works and the construction of roads, schools, hospitals and other buildings. It may be expected, therefore, that total capital expenditures will compare not unfavorably with last year's figure.

There is no lack of sustaining factors. During the extensive period of development our country has experienced, neither securities nor raw materials have been the object of reckless speculation. Conditions in that respect remain sound. The trend of price indexes justifies the hope that inflation is gradually subsiding. Last year, immigration and the natural growth of population added to the domestic market more than half a million consumers. Official statistics disclose that the income of workers of all categories, during the first nine months of 1957, exceeded by $900 million the total for 1956. Popular savings is on the increase.

It goes without saying that the period of stabilization or, at worst, recession we will have to go through, will not alter in the least the bright future of our country so richly endowed with natural resources and where the extension of industrial equipment has been remarkable. To turn these assets to full account, we must find outlets for our agricultural, forestry and mineral products and for an increased volume of manufactured goods.

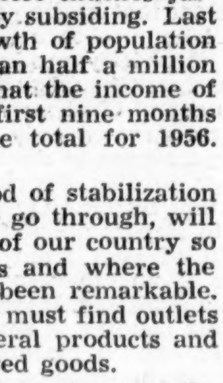
It would be neither wise nor prudent to disregard the fact that 1958 has in store many difficulties and problems arising mostly from our dependence on foreign markets. Therefore, it will be of primary importance to follow closely the evolution of countries that constitute our principal markets. As long as this period of uncertainty prevails, the best attitude to adopt might be one of preparedness for all contingencies.

World conditions are so unsettled that one is reduced to conjectures. We are nonetheless justified in looking to the future with confidence. The gloomy prognostications we sometimes hear seem to be ill-founded. A man whose business is more affected than others may be apt to generalize, the trees hiding the forest from sight. But the situation must be viewed as a whole and, if one intends to forecast, one would do well to bear in mind that the turn things are taking is never as bad as pessimists had feared nor as good as optimists had hoped.

J. HERBERT SMITH

President, Canadian General Electric Company Limited

Early in 1957, after a period of rapid expansion of over two years' duration, the Canadian economy reached the peak of its third distinct postwar growth phase. The first of these phases of expansion—following World War II—was brought about by pent-up consumer demand for scarce goods and services; the second, during the Korean War, was the result of defense spending superimposed on an economy already operating at a high level; and the third phase, just now being completed, was the result of expansion in a variety of both primary and secondary industries, and the consequent demand for capital equipment.


J. Herbert Smith

Since the electrical manufacturing industry serves all sectors of the economy, it has been affected in some measure by each of these phases of expansion. Although overall industry output declined in 1957, due in large measure to a softening of demand for consumer durable goods, this decline was offset to a degree by the high volume of orders placed upon the industry by utilities and industries undergoing capital expansion programs.

Preliminary estimates indicate 1957 output of manufactured goods by the Canadian electrial manufacturing industry will reach a value of approximately $1,132,000,000, a decline of 7½% from 1956's figure of $1,226,800,000.

Despite 1957's decline in the output of the electrical manufacturing industry a glance at past industry performance indicates that the long-term trend is up. Value of output in the industry in 1957 is well over double what it was a decade ago. And, looking to the future, the industry anticipates it will be called upon to produce over twice as much equipment over the next decade as it has since its inception 65 years ago.

Business Prospects for 1958

In many ways 1957 was a year of challenge for electrical manufacturing as the different segments of the industry adjusted to meet the changing requirements of the Canadian economy. The year saw a slowing down in industrial expansion programs as well as a decline in demand for consumer goods, largely brought about by the sharp reduction in housing starts and a tight money supply.

Working off a backlog of orders, heavy apparatus manufacture continued at a high level in 1957, but demand for consumer durables, and the industrial products associated with consumer durables, declined at an unexpectedly fast rate.

Electrical manufacturers face 1958 with inventories in better balance than a year ago. Recent changes in interest rates, indications of a general easing of credit, and increased federal action on housing have introduced a note of optimism that 1958 levels will be somewhat higher than those prevailing in the latter half of 1957. The effect of an expected significant increase in housing starts will be felt in the consumer durable market in the latter half of the year, and should be reflected in a lift in the overall economy.

The year ahead is a time for confidence in management planning for capital investment. On our part, Canadian General Electric expects to maintain the level of new capital investment that applied in 1957 and 1956.

HON. R. L. STANFIELD

Premier of Nova Scotia

What will happen in Nova Scotia in 1958 must, to some degree, depend upon what happens in Canada and, undoubtedly, that in its turn will be affected by world conditions. As in the United States, Canadian industry and commerce seem to have reached a plateau after a period of unparalleled expansion. Most experts appear to consider this no more than a healthy consolidation in preparation for further advances. Nevertheless, if we are to limit our view to prospects for 1958, we must recognize that the present economic softening in Canada as a whole is likely to have some effect on conditions in Nova Scotia.

As regards the state of things within Nova Scotia itself, it is difficult to speak too highly. There is present a very high morale in the attitude of all people, groups, associations and government—a determination to get results and a willingness to work for success.

During 1957, a crown company, Industrial Estates Limited, was set up to assist in the development of secondary industry in the province through the provision of suitable industrial sites and such necessary services as power, water, sewage, roads. This company will build factories for lease or sale. It now has its program mapped out and we may hope that 1958 will see its first successful operations.

In order that new companies may be assured of adequate supplies of electric power, the power companies of the Province have completed numerous additions to present facilities and have plans on hand for still more developments. In August, the Nova Scotia Power Commission completed a new 4,000 kw hydro-electric plant at Bear River. Under construction is a 20,000 kw addition to the Trenton steam plant. A new development on the Sissiboo River is in active prospect and investigations are proceeding with respect to a proposed development at Wreck Cove in Cape Breton.

In October the Nova Scotia Light and Power Company Limited completed a 45,000 kw addition to its Halifax plant and is currently constructing another similar unit for operation in August 1959. This company also has plans under way for a new thermal generating plant near Dartmouth, with an ultimate capacity of some 500,000 kilowatts. Its plans include the spending of $40 millions on generating and distributing equipment in the next five years.

Such present achievements and future prospects of the Nova Scotia power companies, coupled with extensive Federal Government plans for thermal power development throughout the Atlantic Provinces, will surely guarantee any new industry of adequate power resources for years to come.

Another accomplishment of 1957 which will have effect in coming years was the entering by the Nova Scotia Government into an agreement with a newly formed company, Nova Scotia Pulp Limited, which, there is good reason to hope, will establish a large pulp mill in Eastern Nova Scotia. With expert guidance and technical advice from Stora Kopparbergs, the Province foresees considerable advantages from this development, not only in the realm of increased employment and the general economy, but also in the field of forest improvement through a planned management program.

During 1957, Dominion Steel and Coal Corporation continued its multi-million dollar modernization and improvement program. The Atlantic Provinces Economic Council pursued its aim of uniting businessmen and private persons to work for the economic prosperity of this part of Canada. In company with the Atlantic Division of the Canadian Manufacturers' Association, the Council sponsored an exhibition of Atlantic apparel and footwear which achieved such success that it immediately encouraged plans for making it an annual event, for broadening its scope to include other products and for transporting the entire exhibit to such large market centers as New York, Toronto and Montreal.

The Premiers of the Atlantic Provinces met on two occasions during the year, and, in September, concluded plans to establish an Atlantic Provinces' House in London, England, with future thoughts to be directed towards similar representation in New York and the West Indies.

In summary, Nova Scotia can with reason anticipate 1958 as a year of continued advance and, if hopes are justified and national and world influences not too strongly adverse, the advance should not only be continued, but accelerated.

S. JOSEPH TANKOOS, JR.

Partner, Tankoos & Company

Irresistible needs and growth pressures will make real estate one of the outstanding elements in the Canadian economy during 1958. There is already definite evidence that the nation will establish a new high in construction volume, which may be taken as a solid indication of the real estate outlook. One encouraging sign is that new housing starts are already increasing in number, as they have begun to do in the United States. The National House Builders Association, consisting of 33 local associations from coast to coast in Canada has developed a 15-point plan for housing revival on which favorable government action is expected early in the new year.


S. J. Tankoos, Jr.

While we, as real estate investment brokers, do not specialize in house-building aside from apartment-house developments, we regard the house-building situation as a reliable symptom of general conditions. It gets right down to the root of the matter because it portrays the frame of mind of the rank and file of the people, with whom all prosperity originates.

Observations by Tankoos Yarmon executives all across Canada, and they are regularly on the local scenes in all the important cities, reveal a great backlog of demand in all parts of the country. Especially notable are the requirements of Western Canada. In Vancouver, which was relatively quiescent in 1957 because of a slowdown in lumber, its biggest industry, there are definite signs of action soon to come. Tankoos Yarmon, upon behalf of its investors, will put $10 million into real estate in Vancouver early in 1958.

It will involve mostly office buildings and shopping centers, the kind of investment of non-Canadian funds that seems to be most welcome in Canada. For one thing, it does not concern any of the extractive industries, such as mining or oil. It is the investment of what are really personal funds, not a corporate take-over of anything. Involved will be new construction, purchase of existing properties, and renovation and improvement of some of them.

One portent of things to come in Vancouver and other Western Canadian cities such as Calgary and Edmonton, is the fact that rental rates in office buildings are in a rising trend. New shopping center activity is in evidence in all three cities, and others in the Prairie Provinces. The greater Edmonton shopping center, which was initially promoted by U. S. interests, is being expanded 30%. Sales volume in the center has exceeded all expectations.

There is a noticeable gradual change in Edmonton, long known as the workers' city, while Calgary was regarded as an office city. A new 11-story building has just been completed renting to oil companies and law firms. Tankoos Yarmon Ltd. will soon complete a new head office building for the California Standard Company. Imperial Oil has just completed a large new headquarters building. Rentals are on the rise.

The Calgary area continues to thrive, even though there has been a great amount of new office construction in the last 10 years. Space is still scarce, and no small rental units in the 1,000 to 2,000 sq. ft. range, are available. The opening of the Trans-Canada pipe line is expected to be a tremendous stimulus.

In Montreal, one of the outstanding events of the year was the purchase by Tankoos Yarmon for a group of investors of the Boulevard Shopping Centre, for lease-back to the original owners. The price was $5,500,000 which funds become immediately available to the lessee for further construction activity. Boulevard Centre, like others in Canada, expanded phenomenally from its beginning in 1953. The way Tankoos Yarmon interprets such developments is that the funds thus freed for other activities will not long be inactive.

Prophecy is usually a thankless job. But as to the outlook for 1958, considerable light can be provided by looking at some figures that are already in the record. If Canada's performance over the next five years only equals that of 1951-1956, we will have a 67% increase in dwelling units, new apartments will be up 103.5%, industrial construction dollar volume up 23%, commercial up 49.85%, and dollar volume of home construction up 80%. Considering these recorded performances it should be borne in mind that the momentum and the pressures for growth in Canada are greater now than when those records were made.

Nearly three-quarters of foreign investments in Canada is from the United States. Recent figures disclosed that American investment in Canada now totals $12,000,000,000 as compared with $8,500,000,000 three years ago.

While most of this has been placed in Canadian business—about 50% in manufacturing and 25% in mining, smelting, petroleum exploration and development and allied fields—there has been a steady increase during the past three years in the amount of U. S. capital channelled into real estate investments across the coun-

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Canada's Current Consolidation And Basic Growth Bias

liquidations may show up during the coming months in line with the income and output factors that suggest an economic plateau.

Much attention has been given over a period of years to the consumer price index, and it is usually referred to as the cost-of-living index. During the past year this index has shown a gradually rising movement while wholesale prices have declined. There is normally a delay between a drop in wholesale prices and its reflection in consumer prices but there are other and perhaps more important factors which suggest that the rise in the consumer price index is not wholly a function of prices. There are many indications that consumers have changed their preferences and that they now increasingly purchase goods—notably foods—in a more finished form. This involves more processing and different packaging which reduced to simple terms means more labor in the manufacturing and distribution plants and less labor in the home. At least a part of the increase in consumer prices represents a voluntary additional outlay by consumers.

Canada as a Welfare State

During the postwar years a number of nations in the western hemisphere have increasingly caused their governments to assume obligations for social and welfare payments to members of the populace, the funds so far as central governments are concerned being derived by income taxation of a progressive nature. These payments have become known as transfer payments as they involve taxing the populace as a whole to pay to specified and usually wide segments of the population. Such nations, of which Canada is one, have been described as welfare states.

One less discussed aspect of the welfare state has been the consequences in an immature and rapidly developing but under-capitalized economy, such as Canada, on the ownership of domestic resources. Although many natural resources and industrial developments required the application of massive amounts of capital which simply did not exist in Canada, and these could only come from foreign sources, the incidence of taxation and the high rate of consumption which are prominent aspects of the welfare state tend to lessen capital accumulation — particularly the kind of capital that is apt to be venturesome. In a nation such as Canada, which did not previously posses a large and mobile reservoir of capital, this condition meant that a very large part of our development, if it was to take place at all, had to be financed by foreign investment which carried with it increasing ownership of sources of production. The past few years have shown a continuance of this pattern in our foreign balance of payments. Although Canada's foreign trade shows a large deficit on merchandise account, the Canadian dollar remains at a premium due to a still larger net inflow of capital. A less assuring part of current trade lies in the fact that, although a large part of our imports is in capital goods which will add to future production, an increasing amount is in consumer goods. In other words, we are using imported capital which carries a continuing obligation to service in order to finance part of our current consumption. This is like a man borrowing to finance day-to-day living costs and, as we all know, there is a limit beyond which that cannot be continued.

From the point of view of production, a rapidly growing labor force and increasing employment raised 1957 output to a record level. But partly because of higher immigration, the labor force grew faster than opportunities for employment. As a result, a larger proportion of the labor force is out of work than was the case last year at this time. This focuses attention on the question whether the usual spring upturn in production will see the labor force back on the curve of full employment, a situation we have come to expect since the end of the war.

Because of the higher percentage of the labor force unemployed and also because of some reluctance on the part of employers to trim their pay-rolls close to production trends, average output per person, in the Canadian population has remained constant or, in real terms, even fallen slightly since 1956. In our postwar experience this is a rather unusual condition.

Agricultural Exports

A sizable portion of the employment gap originated in the agricultural sector of the economy, where harvest reductions in some regions cut the normal demand for seasonal help. Since agricultural conditions and their related labor demand are more or less unpredictable, the situation this year cannot be automatically projected into future years. Exports of farm products also have been weaker this year, and a noticeable diminution of our export trade would have occurred had it not been for compensating increases in some classes of mineral products such as oil, uranium, nickel and iron ore. There is continuing concern over the changing pattern of our agricultural exports, notably in wheat. Little evidence is available to indicate any serious reform in United States agricultural policy; this in turn raises complex questions as to the long-run equilibrium level of Canadian wheat production.

Another source of unemployment during 1957 was in those Canadian industries which depend on forest products. Here, too, exports have tapered off sharply, although the long-term outlook remains favorable.

Events of 1957 in our primary industries serve to remind us that an open economy of the Canadian type is to a large degree subject to world-wide rather than national market conditions. But, closer to home, another cause of unemployment appeared in the manufacturing sector of the economy, where durable goods production over a wide range of products began falling off early in 1957. This trend cannot be explained by international developments because the bulk of our manufacturing output is destined for the domestic market—though the premium on the Canadian dollar has been a contributing factor, since it makes imports cheaper.

This decline in manufacturing in what had hitherto been a buoyant industry can be attributed in an important degree to the premium on the Canadian dollar which has subsidized imports and served to displace both domestic production and employment. Perhaps under the changed economic outlook which we are facing, it would be reasonable to expect the monetary authorities to exercise through the market an influence on the international value of the monetary unit to minimize this handicap both to domestic producers and to export industries.

In the field of banking, money supply has been quite constant for the greater part of the year and aggregate loans after rising earlier in the year have now levelled off and may soon point downward. Treasury Bill rates showed an increasing trend until August but in September began to decline. Market anticipation of lower interest rates has strengthened the prices of government bond issues although trading volume is small.

There has been much public discussion about monetary policy as reflected in money supply and interest rates and its influence on the economy and it is important to understand its limitations. While it is true that a restriction in supply of money availabe can limit expenditures it must be recognized that it is the expenditures themselves and not the money supply that are directly linked to the volume of output and employment. Under conditions of declining demand and lowered expenditures money supply tends to be a neutral element, adequate and willing to support an upswing but powerless in itself to create it. It may not be inappropirate to add that there has been a great deal of unjustified and uninformed criticism of what has been described as tight money over the past two years. There may well be differences of view as to the timing, nature and degree of monetary influences exerted by the authorities but one thing is clear; if all the money had been made available for which there was a demand there would have been nothing said about tight money but there would have been much more vocal and much more justified criticisms of sharply rising prices.

The year now closing has established a Gross National Product of more than $30 billion and we have had three years of unprecedented advances in real output. We cannot expect to maintain this rapid pace every year but a period of consolidation should not blind us to our basic inclination to growth. Not only does our developing and under-populated country equipped with rich national resources have a basic inclination to grow but this bias is being continually reinforced with new sources of energy — hydro-electric power, petroleum, natural gas and in the years to come nuclear energy for which Canada is a storehouse of vast quantities of uranium. People, too, provide individual energy and creative resourcefulness and this is fully as true of immigrants as of the natural increase in population. By no means the least among the influences toward growth is the generation of new products in increasing variety developed through scientific research—most of it conducted in larger and more mature economies it is true but from which we gain benefit. Such things in recent years as synthetic fibres, plastics and electronics are examples not only of new products but of new industries.

To summarize, there is every reason to be optimistic about the long-term outlook for Canada and, in the short term, there are many elements of stability which should be sources of reassurance. If, however, we are to achieve an increase in production and in per capita output and wealth we shall have to pay close attention to providing the economic climate and incentives for hard, constructive and creative work whether it be done through individual or corporate activity and enterprise.

Urges Reduction in Bank Reserve Requirements

Chairman Moore of Bankers Trust Co. argues for reduction in bank reserve percentages and cessation of discriminatory ratios applied to Chicago and New York City banks. Sees money market yields and bank earning rates averaging lower in the year ahead.

William H. Moore, Chairman of Bankers Trust Company, called for a re-evaluation of commercial banking's reserve requirements to help the banking system continue to meet the expanding credit requirements of a growing economy. Mr. Moore made the statement in the bank's 1957 Annual Report mailed to the company's owners.

Mr. Moore, who assumed the chairmanship of the New York bank in September of last year, said that the "system of reserve requirements has become outmoded in many respects" and further stated that "the required ratios are not far below what they were in the late 1930's when the economy was depressed and a tremendous inflow of funds from abroad had resulted in a huge volume of idle bank deposits."

Currently, member banks of the Federal Reserve System are required to keep from 12% to 20% of net demand deposit money in the form of non-interest bearing balances with Federal Reserve banks. Mr. Moore said that a reduction in these reserve percentages would bring the ratios of the American banking system more closely in line with those of major banking centers abroad.

In the report, which is sent to the more than 20,000 holders of the bank's stock in every one of the 48 states, Mr. Moore also cited the discrimination in reserve requirements against New York City and Chicago banks. Banks in these areas are asked to keep higher reserve balances with the Federal Reserve Banks than in the other Federal Reserve sections. "This feature," Mr. Moore said, "goes back to the time before the establishment of the Federal Reserve System in 1913, when banks in a few large cities held the reserve balances of their correspondent banks."

Business Outlook

Mr. Moore, looking at the outlook of business 1958, also made these remarks:

(1) Although there are many imponderables, such as the international picture and the defense program, it is difficult to believe that most signs do not point toward a further easing in general business activity.

(2) Money market yields and bank earning rates are likely to average lower in the year ahead, while operating costs continue to climb. Because of this, the commercial banking system must maintain lending rates to enable the system to add to bank capital, which in turn, will be needed by a growing economy over the years.

Mr. Moore, in reviewing the previous year's banking business, said that "business spending on new plant and equipment — a mainstay of the boom—has passed its peak, home building has remained below a year ago, business inventories are ample, and industrial production has receded."

He further noted, however, that "for the year as a whole, the dollar value of all goods and services produced set another record, mainly because of the peristent rise in prices through the spring and summer months. Bank loans, as well as demands for banking and trust services in general, registered a further increase. The easing in business to date has been moderate; the economy at year-end continues to operate at a level not far below the top of the boom. These conditions were reflected in the record volume of business handled by Bankers Trust Company in the year just closed."

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try. Recent estimates indicate that apart from mortgages, U. S. investments in Canadian realty total close to $200,000,000 of which almost half has been invested since 1954.

JOHN F. THOMPSON

Chairman of the Board, The International Nickel Company of Canada, Limited

After many years of nickel shortage for civilian purposes, the combined supply of market and premium price nickel came into close balance with demand in nearly all areas of the world during the last part of 1957. In fact, in the largest market, the United States, the supply exceeded the demand. In that market the year started with demand for civilian purposes much greater than supply and will end with stocks in customers' inventories about 25,000,000 pounds greater than a year ago and with an accumulation in the hands of the government of a large supply of unsold government nickel diverted from stockpile.

Dr. J. F. Thompson

This change was brought about by a record high free world production of nickel, sharply reduced defense demands and the United States Government's endeavor to divert to industry during the year all nickel scheduled for stockpile intake. The last two factors had the effect of greatly increasing the civilian supply in the United States. Some nickel was also released from the United Kingdom's stockpiles for distribution in that country. While free world defence requirements were substantially lower than in 1956, civilian consumption increased to the extent of approximately compensating for the reduced defense consumption.

Free World Nickel Supplies at New High

Free world nickel supplies in 1957 are estimated at 490,000,000 pounds, compared with the previous high of approximately 450,000,000 pounds in 1956 and 425,000,000 pounds in 1955.

Deliveries of the metal by the several Canadian producers will reach a new high total of about 360,000,000 pounds, representing approximately 75% of the free world's entire supply. Of the balance available to the free world, Cuba will account for about 9%; United States, 4%, and New Caledonia, Japan and others, 12%.

International Nickel, the world's largest nickel producer, operated at capacity in 1957 for the eighth consecutive year. The company's deliveries of nickel in all forms will exceed 290,000,000 pounds, or about 5,000,000 pounds above deliveries in 1956.

Nickel Distribution

Of the total free world nickel supplies available in 1957, an estimated 60% was delivered to the United States, with about 40% going to Canada, the United Kingdom and other countries of the free world. Whereas there have been recent years in which 40% of the free world's nickel was consumed by defense and stockpiling requirements, only about 20% was wanted for these purposes in 1957, making a greater quantity available for civilian applications.

Nickel Prices

The market price for Canadian nickel in 1957 was 74 cents (United States currency), including the 1¼ cents United States import duty. This price has been in effect since December 6, 1956.

Premium price and market price nickel contracted for the United States Government stockpile was offered to civilian consumers on Government authorization. The prices for this premium-priced nicked rangea from 88 cents to $1.16 per pound. During the last quarter of the year a large portion of this premium-priced nicked was not taken by civilian consumers. By the year-end in the United States there was more than sufficient market price nickel for the civilian requirements.

Applications

The steel industries of the world continued during 1957 to constitute the largest markets for primary nickel, principally for the production of stainless steels, engineering alloy steels and jet engine alloys.

Production of *nickel-containing stainless steels* in the United States occasioned by reduced defense requirements, will be less than the all-time record high established in 1956. However, the nickel-containing types will account for a greater percentage of the total stainless steel output during 1957 than for any year since 1948. In the United Kingdom production of wrought nickel-containing stainless steels showed an increase of almost 10%. The demand for nickel-containing stainless steels continues high in all fields. Greater amounts of these steels are being employed for structural parts in military aircraft and missiles.

The amount of nickel consumed by the steel industries of the United States in the production of nickel-containing *engineering alloy steels* in 1957 was approximately the same as in 1956. Total alloy steel production was lower than in the previous year, but there was a greater demand for steels containing higher percentages of nickel. During the year plans were announced in the United Kingdom and other countries for the expansion of facilities to increase steel production and it is expected, therefore, that nickel alloy steel output will increase proportionately. The major portion of the consumption of engineering nickel alloy steels was for established applications such as in automobiles, trucks, tractors, aircraft, military equipment, farm machinery, road building equipment and components for the railroad and petroleum industries. The most important new applications were those involving heat-treated high-strength structural plates and shapes containing up to about 3% nickel for bridges, pressure vessels and hulls for submarines and naval surface vessels.

Nonferrous alloys containing high percentages of nickel, such as the *"Nimonic"* nickel-chromium alloys developed by Inco affiliates in the United Kingdom, The Mond Nickel Company, Limited, and its subsidiary Henry Wiggin & Company, Limited, and the *"Inconel"* nickel-chromium alloys, developed by Inco's United States subsidiary, The International Nickel Company, Inc., maintained their position throughout the world as standard materials for use in aircraft gas turbines for such vital components as combustion chamber linings, stator and rotor blades and for afterburners. The *"Monel"* nickel-copper alloys were again employed throughout industry for a wide variety of corrosion-resisting applications, particularly in the power, chemical and marine fields. Increasing use of these alloys was made during the year for sheathing for protection of the legs of off-shore oil drilling platforms. In the atomic field, the plants for the extraction and refining of uranium and the utilization of atomic energy continued to make wide use of the corrosion-resistant properties of nickel-containing stainless steels and *"Inconel,"* "Monel" and pure nickel. These alloys, together with other high nickel alloys produced by International Nickel and its affiliates, provide materials required to meet the precise demands of modern industry.

Despite increasing competition from aluminum and other metals, *nickel-plating* continued to play its vital role in decorative and engineering applications in all areas of the free world. Its use as decorative trim, especially by the automotive and home appliance industries, continued to grow. Notable advancements have been made in the use of electro-formed nickel for intricately shaped corrosion and heat resistant components of missiles and jet aircraft. Increased interest is being shown in the use of relatively thick nickel deposits on industrial processing and transportation equipment to prevent product contamination.

The *nickel silvers,* a group of copper-nickel-zinc alloys containing up to 18% nickel, remained as the preferred base metal for silver-plated articles such as tableware.

Principal applications for *cupro-nickel* alloys with from 10 to 30% nickel were in the marine, petroleum and power industries for heat exchanger tubes operating under severe conditions.

Industry continued to recognize the advantages gained through the use of nickel as an alloying agent to improve the properties of cast irons. Production of *"Ni-Hard"* abrasion-resisting nickel-chromium cast irons showed an increase during 1957. The mining and cement industries continued to be the principal users of these alloys in grinding balls and mill liners for grinding ores and cement in North America, the United Kingdom, Europe and elsewhere. *"Ni-Resist"* corrosion-resisting nickel cast irons have become important in heat-resistant applications involving turbocharger and other diesel engine components. A large use of these alloys continues in castings for corrosive service, although increasing interest is being shown in their application for high temperature service.

The development of new and improved nickel alloys having special magnetic properties continues to meet the constantly expanding scope of the *electronic and instrument industries* in the production of automation, computation and communication equipment. Although the development of devices such as transistors supplements these nickel alloys in many fields of applications, the general expansion made possible by all of these materials provides an enlarging market in this field.

There has been a further expansion in the application of *nickel-containing high-tensile aluminum-bronze* for large marine propellers. This development is attracting attention from all leading shipyards and ship operators in the United States and Europe.

Requirements of nickel for *catalytic and chemical applications* increased during the year. In Europe, the demand for greater sources of power and heating, coupled with the shortage of indigenous oil, is leading to many developments in gas production in which nickel catalysts are playing an important role.

Inco's Manitoba Project

The year 1957 marked the first full year of development at International Nickel's new nickel project in northern Manitoba. Plans for development of this project were announced Dec. 5, 1956. In the Thompson-Moak Lake area 400 air miles north of Winnipeg, the company is opening a new nickel mining operation and building a smelter, mill, a modern town, and ultimately a refinery. A recent major development was the completion on Oct. 20 of a 30-mile railway spur started in January of this year. Thus spur, linking the project's plant site area at Thompson with the Canadian National Railways' Hudson Bay line, now provides year-round transportation for men, equipment and supplies.

Initial production is scheduled to start in 1960 at Inco's Manitoba project, which will have an annual nickel capacity of 75,000,000 pounds. The program involves an initial investment of $175,000,000, of which International Nickel's capital investment will approximate $115,000,000. In combination with the progress under way at its operations in the Sudbury District of Ontario, the Manitoba development will increase the company's annual nickel-producing capacity to 385,000,000 pounds in 1961.

Other Important Nickel Expansion Programs

The past year saw the announcement of two other important projects which are aimed at increasing nickel production capacity in future years. Freeport Sulphur Company announced that it will produce 50,000,000 pounds of nickel annually from its deposits at Moa Bay, Cuba, and the French nickel company, Le Nickel, with mines on the island of New Caledonia, disclosed plans to increase its output to 50,000,000 pounds or more per year.

Based on these programs and the announced expansion plans of other producers, it is expected the annual total free world nickel-producing capacity in 1961 will approximate between 650,000,000 and 675,000,000 pounds, with much of the increase government stimulated or sponsored. Included in the estimated 1961 total production capacity is the nickel output of the United States Government-owned plant at Nicaro, Cuba, which is understood to have increased its production facilities to 50,000,000 pounds annually, and also that of such Canadian producers as Falconbridge Nickel Mines Limited and Sherritt Gordon Mines Limited which have announced that they will increase their respective productions to 55,000,000 and 25,000,000 pounds annually.

Nickel Outlook

Barring any presently unforeseen large increases in defense demands, it is expected that there will be more nickel available to the industries of the free world in the coming year than was the case in 1957. Consequently, the supply-demand situation throughout the world in 1958 should be in close balance, although some supplies offered during the year will continue at premium prices. In view of the announcemnt of the United States Government that it desires to divert to industry all nickel scheduled for stockpiling, it is expected that the supply in that country will exceed the demand.

Creating larger markets in preparation for the time the above-mentioned nickel production capacity goal is realized in 1961 is a major task confronting all producers in the industry.

Defense and stockpile requirements in past years have kept total demand well ahead of the available supply, despite the fact that nickel production doubled in the period from 1946 to 1956. Much time and effort have been spent by industry and governmental agencies in replacing nickel-containing alloys with substitutes which used less nickel, or none at all. Although some of these substitutes are likely to continue in general use, the vast majority of cases in which specifications were thus downgraded represented a compromise, or an acceptance of conditions which, while far from ideal, were considered necessary at the time. As a result, there are today many specifications in use which, as a conservation measure, limit nickel percentages, and which should be revised to take advantage of the increased new nickel supply.

The correction which has now occurred in the supply-demand position together with the outlook for much larger quantities of market price nickel a few years hence should give confidence both to those who wish to restore old nickel uses and to those who will benefit by including nickel in their long-range plans.

CLIFFORD R. WALKER

President, Merrill Petroleums Limited

The oil industry in Western Canada is in a period of consolidation awaiting expansion of refining facilities and export markets to accommodate the substantial growth in production that has occurred during the past five years. Income per producing well and, consequently, return on per dollar invested in producing wells will not be sufficent to attract risk capital and exploratory activity will decline. Independent oil companies who have concentrated on building oil reserves and production will seek diversification into the production and transmission of natural gas as these segments of the industry have excellent growth potential. Merging with companies who already have such diversification is undoubtedly the cheapest and fastest method of acquisition. If the natural gas industry is permitted to expand according to the natural laws of economics, a recession within the industry can be averted. The drilling of producing gas wells; the construction of gas processing plants; and the expansion of gas transmission facilities can do much to absorb the unemployment resulting from lack of additional crude oil markets.

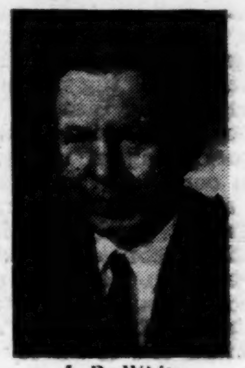
Clifford R. Walker

J. R. WHITE

President, Imperial Oil Limited

During the past year Canadian oil production was about 7%, and sales of products approximately 5% above 1956 levels. Further growth is expected in 1958.

The producing phase of the industry in Western Canada felt the effects of an easier supply situation throughout the world as the year progressed. In mid-year Canadian oil lost the markets temporarily gained in California at the time of the Suez crisis. At year end, application of United States import quotas to Canadian oil entering the Puget Sound area added to the uncertainties of export prospects.



J. R. White

Exploration and development continued at a high rate in 1957. There were oil discoveries in northeastern British Columbia, central and west-central Alberta and in southeastern Saskatchewan. A number of promising gas dicoveries were made in the foothills belt of Alberta and British Columbia.

Exploratory drilling continued in southwestern Ontario and in the St. Lawrence lowlands. Geological and geophysical surveys were carried out in some areas of the Atlantic provinces.

Canada's two major crude oil pipe lines increased their capacities during the year. These are the Trans Mountain Pipe Line from Alberta to the west coast, and the Interprovincial Pipe Line from Alberta to Ontario. The latter was extended to serve refineries in the Toronto area.

In 1957 Canadian refineries processed approximately 670,000 barrels daily of crude oil, 6½% above the previous year. High product inventories slowed down the operation of domestic refineries in the last half of the year. This cutback appeared to have substantially corrected the inventory position by late 1957.

Keen competition for consumer markets—a feature of 1957—will again be evident during the new year, and further efforts to improve services and product quality will add to capital outlays by the industry.

The continued high rate of the industry's activities, together with an expected increase over the record sales volumes reached in 1957, will maintain investment interest in the Canadian oil industry at a high level.

EDWARD C. WOOD

President, Imperial Tobacco Company of Canada, Limited

Rising costs of production and a variety of problems continue to beset tobacco manufacturers who are now faced with a real cost-price squeeze. These difficulties have been met and overcome so far in 1957.

Edward C. Wood

Cigarettes gained increasing favor among Canadians, to some extent to the detriment of the use of other tobacco products. Filter tip cigarettes continue to appeal to smokers and sales of this agreeable new form reached record levels. Altogether, according to the latest figures available, 25.4 billion cigarettes were excised during the ten months ended October 31, 1957; the corresponding figure for the first ten months of 1956 being 22.2 billion. These figures do not mean that an additional 3.2 billion cigarettes have been smoked, because the introduction of new brands has, naturally, resulted in larger inventories than was the case a year ago at this time.

Flue-cured tobacco farmers in Ontario, by a majority vote, brought to a close the association of buyers and growers who had co-operated together for a long number of years in the orderly marketing of crops through the Flue-cured Tobacco Marketing Association of Ontario, and in its place, a system of public auction is now being evolved.

Forecasting is always hazardous, even short-term forecasting for 1958. Many factors affect the well-being of the tobacco industry; nevertheless, in a vigorous and growing country such as Canada, it would seem a safe and reasonable assumption that this industry will grow and prosper with Canada.

Your
RED
CROSS
must carry on!

Securities Salesman's Corner

By JOHN DUTTON

Why Do It the Hard Way?

Sometimes you can save yourself needless extra work by arranging your desk and your records so that they are readily available when you need them. A well organized individual will recognize that the small effort needed to put his working tools in order will pay him dividends in time and energy saved for more constructive work.

Some Suggestions

Make up a list of all customers that you call regularly. Have this list typed in triple space so that you can make additions periodically. Set it up alphabetically. List all telephone numbers on this list and addresses. When new issues come along pull out your list and go to work. It's a real time saver.

Keep up-to-date records of all customer trades and holdings. Card should include address of customer and telephone number. It should be divided down the middle like a ledger page. Sales and their dates, price, security, total received by customer should be listed. Purchases with same information should be noted on the card. Names of family members, birthday if available, should be on card. Keep all customer copies of confirmations if your firm issues salesman's copies. Post every week and you will find this is no burden. Destroy all copies of confirmations after you have received commission and have entered transactions on your customer cards.

Keep a daily record of your sales and gross commissions earned. Then when you receive your commission accounting at the end of a payment period all you have to do is to check off your list with your commission statement. If you have carry-overs note this on your list and then you can be certain there is no mistake when the next commission accounting is made.

Keep a handy little address book in your pocket which lists names of all customers, and other numbers frequently needed. There is nothing more annoying than trying to thumb through a bulky telephone book while you are standing in a phone booth and at the same time trying to juggle a circular or a prospectus in your free hand (if you have one). Sometimes there may also be no phone book available.

Discard useless information. Toss out circulars, correspondence and other data that you may not need. I once knew a salesman who thought having a pile of papers on his desk denoted that he was a busy successful man. On the contrary, a cluttered desk is a handicap to clear thinking and accurate doing.

A handy way to keep information you may need is to obtain a large legal size file folder. File circulars on issues that you may be following alphabetically. Have one file for corporates, another for tax-exempts, another for convertible securities, Mutual Funds, or whatever may be of use to you. When something is added put it in its proper alphabetical place, when not useful any longer do away with it. You don't need an elaborate or complicated system to keep yourself up to the minute on information and have it readily available.

Be a reader that hits the high spots. Most news stories are only 10% made up of essential news, the rest is "filler." Learn to look for the meat in any story. If it is important, make a real mental note of it. Read it twice, then stop, put it in your mind, and if necessary underline the essentials with a red pencil and clip the article which you can add to your current file (but only if it is important and pertinent).

If you make a study of a situation take your time. Come to your office on a week-end, during the quiet evening hours, or early in the morning before the gong rings. When you are doing some painstaking reading and you want to be certain you don't overlook anything important then choose a proper time to do it. Don't try to concentrate and accomplish important study when a decision of importance must be made unless you can do so at a time when you will not be interrupted. Choose the time for this kind of work and you will be more accurate and less fatigued.

Cut down on your dictation. If you have articles or suggestions to send to prospects and clients use a small sized note paper which has your name imprinted on it. Some of these "From the Desk Of" pads are excellent. Use long hand, make your note informal. Give this material to your secretary and all she need do is type-write the address of the recipient on an envelope and mail. People are busy—don't say anything in two words you can say in one.

J. S. Clark III With White, Weld & Co.

White, Weld & Co., 20 Broad Street, New York City, members of the New York Stock Exchange, announced that Joseph S. Clark III, is now associated with the investment firm in its Oil and Gas Department. Mr. Clark was formerly Vice-President of De-Goyler & McNaughton.

Bateman Adds to Staff

PALM BEACH, Fla.—Frank B. Bateman, President of Frank B. Bateman Ltd., and the Florida Growth Fund Inc., 243 South County Road, has announced that George Ruckert, formerly of F. P. Ristine & Co. in New York, will join the sales department. Bernice Gilchrist has also joined the Bateman staff and will specialize in portfolio analysis. She was formerly associated with the David Babson Company, Boston.

Jos. Faroll Admits

Joseph Faroll & Co., 29 Broadway, New York City, members of the New York Stock Exchange on Jan. 16 admitted Asher Lane to limited partnership.

J. L. Weinberg, Dir.

The election of John L. Weinberg to the Board of Directors of Cluett, Peabody & Co., Inc. has been announced.

Mr. Weinberg is a partner of Goldman, Sachs & Co. and a director of Van Raalte Co., Inc.

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The Prospects for Uranium Look Extremely Encouraging

optimum efficiency in every-day commercial use.

By 1959, the United States is expected to have 10 purely experimental reactors, all but one of fairly small size, but from 1960 onwards it is anticipated that electricity generated from nuclear power plants will be flowing in steadily increasing quantities into the commercial system. By 1962, United States atomic generating capacity will have climbed to 1,200,000 kilawotts. Costs of nuclear power are very high at the moment in relation to those of conventionally generated electrical energy, but the Reactor Development Division of the Atomic Energy Commission foresees a rapid decline in costs per kilowatt hour during the next two decades. By the early 70's it is foreseen that nuclear energy should begin to compete with energy derived from conventional fuels, and the same source forecasts a drop in costs to 6 to 7 mills per kilowatt hour or 4½ to 5 mills per horsepower hour by 1980. At the same time an extremely rapid growth in nuclear power development is expected during what may be termed the "competitive era." By 1975, the United States should have 80 million kilowatts of installed electrical generating capacity based on nuclear power.

It is evident that the United States is counting heavily on nuclear energy, and for sound economic, as well as other, reasons. The fact that the Atomic Energy Commission has guaranteed a market for its domestic producers of uranium up to the end of 1966 suggests a greater concern with the supply than with the demand side of the equation. The long-term growth in consumption of electrical energy indicates clearly that power from conventional sources will be inadequate to meet demand in the foreseeable future, except at inflated prices.

In the field of fossil fuels, the United States already has a sizable oil deficit, and will need to cover its oil requirements more and more from foreign sources, including Canada. In the meantime, it may be anticipated that the prices of both oil and coal will continue their rising trend. As in Europe, there are sound political reasons at present for avoiding over dependence on Middle East supplies of crude oil. The American authorities cannot view with equanimity the advances made by the United Kingdom and Russia in the field of nuclear energy development for civilian purposes. Russia has announced that its installed electrical capacity, based on nuclear energy, will be 2 million kilowatts by 1960, or twice that planned by the United States.

Meanwhile, the United Kingdom, faced with high costs for fossil fuels and dwindling coal reserves, has embarked on an ambitious nuclear energy program, and it is now just a year since Calder Hall, the first commercial power reactor in the world, began to flow current into the national system. Britain's program is to have 6 million kilowatts of nuclear energy by 1965. In short, I think there is good reason for supposing that nuclear developments in other countries will provide an added stimulus to United States efforts in the same field.

Foreign Competition

It will be readily appreciated that Canada will be faced with some tough competition in foreign markets from the other nuclear nations—and for different reasons. The United States has the advantage of enormous financial and research resources. The United Kingdom has had the very real benefit of actual experience in running commercially operated plants. Russia can ignore the economic realities of international trade and come to any arrangements which best suit her expansionist purposes. On the other hand, American concentration on plants fed by enriched uranium may not be altogether to the liking of many foreign buyers, who may wish to base their operations on natural uranium rather than be dependent on American supplies of enriched fuel, or incur the enormous cost of building their own gaseous diffusion plants. Meanwhile, we in Canada have plenty of uranium in our own back yard and have no supply worries, at least for a very long time.

These then are the kind of problems with which I suggest we should be concerning ourselves now, in particular the question of the development of nuclear power for our own needs, and the preparation of a strong base from which to attack world markets, to which we should be able to supply both plant and fuel. Some of these markets are already in the potential stage. The Euratom countries—Belgium, France, Germany, Holland, Italy and Luxembourg have set a target of 15 million installed kilowatt capacity by 1967. Germany is at this moment in the process of concluding an agreement with Ottawa for the supply of Canadian uranium precipitate. Japan, another energy-starved industrial nation, will certainly need nuclear power.

There are good grounds for confidence in the continued rapid growth in use of the thermal, uranium-fed, reactor. Now how does the anticipated use of such reactors match up with the supply of uranium ore? Taking, for example, the well known Kitimat hydro project which will have a potential of nearly 1,200,000 kilowatts of installed capacity, a nuclear power plant of this size would require the mining of roughly two and a half million tons of uranium ore for the initial charge alone. This is big mining business. Now in Canada, by next year, the output of uranium precipitate—that is the U_3O_8 concentrate as it leaves the leaching plant—will be upwards of 15,000 tons. United States output will be about the same, and South Africa will supply around 6,000 tons. The rest of the free world combined, including Australia and Central Africa, will probably not provide more than a few thousand tons. Total free world output of precipitates will, therefore, amount approximately to 40,000 tons a year. How will these 40,000 tons be consumed?

Of the three major producers, the United States has guaranteed a market to its domestic mines up to 1966; South African producers' contracts with the U. K.-U. S. A. combined development agency extend to the period 1964 to 1966, while Canadian contracts with the Atomic Energy Commission run out in 1962 to 1963, although the A.E.C. has options on further Canadian production beyond the expiry dates of present contracts.

As is well known, the bulk of precipitates produced in the free world have been going into strategic stockpiles for largely military purposes, while power reactors, to which I have so far confined my remarks, may not need anything like 40,000 tons of uranium precipitates until the late 60's, a few years after present contracts expire.

On the twin assumptions that contracts will not be renewed after they expire and that uranium producers will then be entirely dependent on a market of limited civilian demand, the pessimists have concluded that producers will be faced with a severe marketing problem in the mid-sixties, but these are big assumptions. Without putting into the balance the strong possibility that military stockpiling of uranium will have to continue for many years—after all the future international scene is not easily predictable—and without considering developments in such fields as nuclear-powered ships and aircraft, the mere state of free world reserves of uranium ore is hardly indicative of over-supply. Free world reserves of U_3O_8 contained in ore amounted to little more than three-quarters of a million tons at the end of last year. This is hardly an impressive figure for a source of power destined to play such an important role in the future and compares unfavorably with estimates of reserves of fossil fuels, which are themselves an object of concern in the light of continuously growing demands for energy.

U. S. A. Reserves in 1968

At the present rate of production, known United States reserves will be exhausted in about 10 years. The principal object of the A. E. C.'s procurement policy guaranteeing a market to domestic producers until 1966 is to stimulate exploration for new reserves of ore.

Predicts Shortage in Decade

Whiles reserves at some Canadian and South African mines could outlast the century, at present rates of production, responsible forecasts of demand for civilian power purposes alone amount to well over 40,000 tons of precipitates by the early 70's. In short, as I see it, the problem will not be "how are we to market our uranium?" but "where are we to get enough uranium, at economic prices, to meet the upsurge in demand which may be anticipated in little more than a decade?"

If, in this brief and unavoidably superficial review of some of the aspects of the nuclear power and uranium scene, I am accused of gazing into a crystal ball, my only excuse is that in an industry which is as young and revolutionary as that of nuclear power, with no history of past trends on which to base one's projections, one is obliged to interpret the future in the light of what is happening now; and what is happening now is to my mind extremely encouraging.

Bernstein Resigns From Monetary Fund

Noted research head of International Monetary Fund, who helped lay the foundation for this post World War II international institution, announces resignation to enter private business.

Edward M. Bernstein, Director of the Department of Research of the International Monetary Fund since the department was established in June, 1946, has resigned from the Fund to enter private business.

Mr. Bernstein was connected at an early stage with the preparatory work which led to the creation of the International Monetary Fund, and has thus been intimately concerned with the Fund's problems over a period of 15 years. He was Chief Technical Advisor and Executive Secretary of the United States Delegation at the United Nations Monetary and Financial Conference, Bretton Woods, N. H., in 1944, which resulted in the establishment of the Fund and the International Bank for Reconstruction and Development. At that time, he held the position of Assistant Director of Monetary Research with the U. S. Treasury Department. Mr. Bernstein took a leading part in postwar financial discussions as Assistant to the Secretary of the Treasury under Secretary Fred M. Vinson. Among other things, he was in charge of presenting the technical material to Congress on the Anglo-American Loan Agreement of 1946.

Other Activities

Mr. Bernstein was twice given leave from the Fund: first, in 1950, when President Truman named him as a member of the U. S. Survey to the Philippines, generally known as the Bell Mission, and again in 1952, in order to act as staff director for the Public Advisory Board for Mutual Security in preparing its "Report on a Trade and Tariff Policy in the National Interest." Mr. Bernstein headed a Fund mission to India in 1953 whose report, "Economic Development with Stability," was published by the Indian Government.

Mr. Bernstein was Professor of Economics at the University of North Carolina from 1930 to 1940, and in the summer of 1957 he was a visiting professor of economics at Harvard University. He is the author of a study on "Inflation and Development," which has been widely reprinted, and also of numerous other studies on monetary and financial subjects.

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Continued from first page

As We See It

ductivity gains are inconsistent with a stable price level. The problem of inflation can only be aggravated by wage increases that are demanded and obtained on the assumption that living costs are going to rise; and the resumption of economic growth can only be slowed by wage demands that imply either an increase in prices or a further narrowing of the margin between prices and costs. Government's role is to follow policies that will help keep our economy stable and promote sound economic growth with reasonably stable prices.

"The resumption and maintenance of economic growth which can be achieved through suitable private and public policies assure expanding economic strength with which to meet the nation's needs, accomplished through an enterprise system that preserves individual freedoms. However, if this opportunity is to be fully realized, economic growth must take the form of increases in real output, accompanied by a stable price level. This can be achieved if weight is given to long-run as well as short-run considerations in policies and practices that affect our economic welfare. It can be guaranteed by a public opinion that is alert to the consequences of wrong policies and insists on those that will yield real economic growth without inflation."

No one whose judgment or knowledge is worth a fig would, of course, deny that the developments in the business world during the past months, or for any other term of months or years, are complex and not well understood even by the very elect. Only the dreamer would for a moment claim that there is any "easy solution to the problem of maintaining high employment, vigorous economic growth and reasonably stable prices." It is, of course, obvious that the "combination of policies and practices followed in the recent past by the various participants in our economic life has given results that in certain respects are unfavorable."

Most people would concede, we are certain, that "price increases that are unwarranted by costs or that attempt to recapture investment outlays too quickly not only lower the purchasing power of the dollar but may be self-defeating by causing a restriction of markets, lower output, underutilization of capacity, and a narrowing of the return on capital investment." Equally certain is it that "wage increases that go beyond prospective productivity gains are inconsistent with a stable price level." Obvious, too, is the truth of the statement that "the problem of inflation can only be aggravated by wage increases that are demanded and obtained on the assumption that living costs are going to rise; and the resumption of economic growth can only be slowed by wage demands that imply either an increase in prices or a further narrowing of the margin between prices and costs."

Few would question the validity of the observation that the economic growth and the general economic welfare we all seek can be achieved if "weight is given to long-run as well as short-run considerations in policies and practices that affect our economic welfare" or at least that solid and continuous progress is not likely without such policies and attitudes.

Only a Homily?

But such statements as these are and can be saved from the status of an impotent homily on good economic behavior if the government is prepared to do what is necessary to induce such policies and practices—and, of course, prepared to avoid with the utmost care those policies of its own that obstruct them. The President's report dismisses this aspect of the matter with very few and very vague words to the effect that "government's role is to follow policies that will help keep our economy stable and promote sound economic growth and reasonably stable prices."

It is at this point that the essential weakness of this Administration and of those that went before it comes so glaringly into sight. Polemics directed at business or labor are not likely to be effective. They are likely to lack real effectiveness even when there is a threat of some sort behind the exhortation, and a threat is alien to our free society and our traditional free economic system. What governs business, and what should govern labor, and would govern labor were it permitted to do so, is natural law. When government as it has been doing regularly and assiduously for a good many years past interferes to shield this, that or the other group of citizens from the force of natural events, it robs the economy of the force which prevents these sins of omission and of commission against which the President now issues his warning.

He is apparently disturbed about a too rapid recovery of costs of plant and the like, yet just that has been deliberately encouraged time and again by laws which permit for tax purposes such accelerated amortization — at the same time that tax rates are so high that relief from them, even if temporary, constitutes a great temptation. He is certain that stable prices are much to be desired, and forthrightly asserts that government must encourage stable and presumably reasonable prices, yet all agricultural legislation in recent years, and other farm legislation now proposed by the Administration, definitely make possible and even vigorously encourage prices for many commodities which are much higher than there is any good reason for.

And as to the policies of the labor unions, it hardly lies in the mouth of Washington authorities to appeal to labor to be reasonable when for years past the main concern in the nation's capital has been to eliminate, or at least drastically reduce, the competition that is demanded of the working man. Hard, relentless competition can do far more to induce reasonableness than all the preachments of politicians or officials.

To suppose that mere appeals to labor, or anyone else for that matter, will get real results is naive to a degree.

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Clark and Alff Withdraw From Sudler

DENVER, Colo. — Phillip J. Clark, Executive Vice-President, and John H. Alff, Vice-President and Treasurer of Amos C. Sudler & Co. have resigned from the firm. Lloyd W. Hammer will continue to do business under the name of Amos C. Sudler & Co., it is understood.

J. Barth to Admit Crary & Jahan

LOS ANGELES, Cal.—J. Barth & Co., 3323 Wilshire Boulevard, members of the New York Stock Exchange, on Feb. 6 will admit Robert C. Crary and Andre E. Jahan to partnership.

With Kidder, Peabody

PHILADELPHIA, Pa. — Kidder, Peabody & Co., members of the New York Stock Exchange and other leading exchanges, announce that Lewis C. Scheffey, Jr. has become associated with them as a registered representative in their Philadelphia office, Fidelity-Philadelphia Trust Building. Prior to joining Kidder, Peabody & Co. in 1957, Mr. Scheffey was Assistant Secretary of the Textile Machine Works of Reading, Pa.

Edgar A. Clark

Edgar A. Clark, senior partner in E. A. Clark & Co., New York City, passed away Jan. 23 at the age of 68.

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Canadian Review and Outlook

income. Similarly, tax revenues fall faster than the national money income on the down swing. This means that an automatic surplus appears in inflation, an automatic deficit in deflation. But the symmetry of theory has apparently fallen prey to political reality, and each new inflationary wave begins not far short of where the old one left off.

(2) Large liquid holdings by the public after the war have undoubtedly made the task of inflation control more difficult. As I have had occasion to remark before, there are still large sources of liquidity outside the banking system and beyond the direct control of our monetary authorities. These sources of liquidity are especially important in financing consumer credit, and any clear indication of a change of heart on the part of our monetary and fiscal authorities, e.g., a move to reverse their tight money policy, may through the activation of these otherwise idle funds cause a greater increase than expected in total outlay.

(3) It is sometimes argued that chronic inflation is due to repeated and excessive wage increases in response to successful trade-union pressure; or perhaps that there are two culprits: successively increasing labor costs and profit margins both in excess of what the traffic can reasonably be expected to bear.

This round-robin of cost and price rises is undoubtedly a factor in any inflationary situation. But even the best intentions on the part of both labor and management cannot long resist an inflationary environment created by excess spending through the errors or inefficiency of monetary and fiscal management. In such a situation wages would rise even without trade unions to press for them. The employer finds that to increase production in response to rising demands he must bid for labor at a higher price, and even to maintain present production he must resist the efforts of others to raid his labor force. He may often find it necessary to raise prices, but these higher prices can be paid only because the original inflationary environment makes it possible for his customers to pay them. Under these conditions wages and profits rise together, but they are the symptoms rather than the cause of inflation.

However, once the circle is broken, by effective monetary and fiscal policy, mutual restraint is clearly in order. Profits fall first and unions might well at this point temper the wind to the shorn lamb. In fact, if we are to obtain not merely full employment and growth, but stability as well, the exercise of restraint in making demands must become the responsibility not only of labor and business, but of electorate and government as well.

III

Foreign and Domestic Policy

Among the "built-in stabilizers" of our economy is one that may easily be overlooked. I refer to our free foreign exchange rate. It is now over seven years since the Canadian Government made its important decision to set the Canadian dollar free. Since that time, the hopes of those who urged this policy have been abundantly realized. In the absence of flexible price levels, and with a domestic fiscal policy geared to "full employment," the floating exchange rate provides the only mechanism of adjustment, other than rigid exchange controls, to the ever-changing requirements for equilibrium in our international accounts.

Were it not for our import surplus in recent years, inflationary pressure in Canada would have been even greater than in fact it proved to be. At the same time, an import surplus tends to increase the price of foreign currencies and to provide its own corrective. The continued strength of the Canadian dollar in spite of our import surplus has of course been due to a continued flow of investment funds, especially from the United States, to develop primary and secondary industry in Canada, and to the flotation of Canadian provincial and municipal bonds in the New York market. Here, too, the free rate has proved its worth: instead of an automatic purchase by the Government of the U. S. dollars thus provided (a necessity under exchange control), private individuals and business firms in need of U. S. dollars have provided the demand out of their own Canadian dollar balances. Instead of an automatic increase in the money supply, inevitable under exchange control in the absence of strong counter measures by the Central Bank, the inflationary threat has been turned aside by the operation of the free market.

It is sometimes argued that the investment flow covers our trade deficit, and that any stoppage of this flow would be disastrous. But we should remember first that a large part of our imports, especially of machinery and equipment, are the **result** of the inflow of investment funds; and, second, that, should foreign investment (and investment-induced imports) fall off, our flexible exchange rate provides an automatic device for adjusting any deficit remaining in our trade in goods and services with the outside world.

Improve Export Financing

It is in this light that I would meet the demands of those who say that we should interfere with the free-exchange market in order to bring about an artificially low rate for the Canadian dollar and thus to encourage Canadian exports.

Nevertheless deserving business men seeking export markets may be hampered, not by high costs and inefficiency but by inadequate export financing compared with that available to their foreign competitors.

As matters stand at the moment, we have an absurd situation. To illustrate: a Canadian industry obtains an order from abroad amounting to millions of dollars and the Export Credits Insurance Corporation guarantees to any lender the repayment of this paper over a period of years. However, when the exporter considers his own financing, we have no device within this country suitable to his needs.

What he requires is the discount of paper maturing over a period of years or a term loan for a similar period secured by that paper. During a period of tight money, the chartered banks do not have available in any quantity funds for this purpose. The result has been that some of our Canadian corporations have had to go outside the country to arrange their credit requirements with non-Canadian banks. The conditions of such credits are usually onerous, one being that the lender requires a substantial percentage of the credit he extends to be carried as an off-setting deposit balance not bearing interest. We have actually seen cases in which the absurdity arises that a Canadian bank is asked to lend its customer money which he, in turn, deposits with non-Canadian bank to facilitate that foreign bank's lending operations.

I would like to suggest that a consortium of Canadian banks, Canadian exporters, and perhaps other interests, should consider the formation of a company with power to discount commercial paper covering the kind of long-term export transactions which I have here described.

In the area of domestic policy I would like to make two comments: one is concerned with the improvement and extension of the money market; the other with the needs of small borrowers whether private or public.

Some four years ago I mentioned that it might be worth while to investigate the possibilities of a short-term money market in Canada. Such a market did come into being about six months later. Speaking from the experience of our own bank, we have found that this market is serving a most useful purpose. Everyone recognizes that it is still a very small child. Nevertheless, the time is approaching when we must give some thought to the youngster's development towards maturity.

Broadening Money Market Base

We should, I believe, study the possibilities of broadening the base of our money market. As of now, the only instruments available for use within this market are Government Treasury Bills and government bonds with a maturity not exceeding three years. Whether we should, as part of the broadening process, admit Government bonds of a slightly longer term than three years is, I think, debatable. However, what I have particularly in mind is a study of possible steps to achieve the stature of a **real** money market, that is, a market that would include commercial paper in the form of bankers' acceptances. To a limited extent there is now a market for prime commercial paper, which does not, of course, bear a bank acceptance. I repat that, useful as our present money market is, it would, I believe, be worth while to determine whether or not it is ready by this time to outgrow its swaddling clothes and become a more lusty and an increasingly independent part of our financial system.

I come now to the needs of small-scale borrowers.

Small Borrowers

Generally speaking, banks are in position to take care of the legitimate needs of all credit-worthy small to moderate borrowers. For lack of a beter yardstick we regard clients having credits with us of $100,000 or less as "small borrowers." As a matter of fact, and again speaking generally, the banks have been in a position throughout the tight money period to look after this class of customer.

In the past few months, however, there has been a great to-do about scarcity of credit for this sector of our economy; and government authorities have apparently become exercised about it. Frankly, I am baffled when I read of these things and I cannot escape the impression that the whole case must be grossly exaggerated, or that, perhaps without realizing it, we may be witnessing and evolution in this field. It may be that a fundamental change is taking place in our economy and that the small merchant is experiencing something that credit cannot help. There is some evidence not only that sales outlets are becoming more and more concentrated, but that sales and production units are developing an increasingly close relationship with one another.

From the inception of the tight money policy, the Royal Bank has made it clear by word of mouth and by repeated written communications to all of its branches that they were still required to deal sympathetically with applications for personal and small business loans.

In spite of the Bank's lending policy there has been a reduction not only in the number of borrowers but a substantial reduction as well in the amount borrowed in this particular field. As far as we are concerned, the credit facilities have been available, our Managers have known of this policy, and yet it would seem that small borrowers have not taken advantage of their opportunities to obtain credit.

So far, I have considered small borrowers who belong to the business community. I should like now to refer to the difficulties encountered by small municipalities in their public financing efforts during the last two years.

The public services of these communities have not only to be maintained but improved and enlarged, and it has often been exceedingly difficult for them to borrow money. They are not large enough to make public issues of securities which would attract the attention of the typical investor, and it has not been possible for them to obtain term loans except for a modest amount.

I think that serious consideration should be given to some means by which the securities of small or moderate-sized municipalities could be made more attractive to the investing public. One device that might be justified is the application of a lower rate of income tax to interest earned on these securities. With proper safeguards, this could provide an inducement to the freer purchase of these securities and ease the burden of financing for the small municipality.

If the principles involved in the scheme were found by actual experience in this restricted field to be sound and constructive, a future study of its wider application might also prove worth while.

IV

I believe this is an appropriate time for the re-examination and appraisal of our national attitudes and long-run policy.

Today, tremendous new forces for good or for evil are at work in the world. Scientific progress has never been more rapid: the unattainable of yesterday becomes almost the commonplace of today; and tomorrow's possibilities are so vast that they are beyond the comprehension, and even the imagination, of most of us.

It is more important now than ever before that we should have the educational system, the research facilities, and the trained personnel in science and the humanities to harness and control these forces in the interest both of defense and of the general welfare.

I do not of course intend to limit welfare to **economic** welfare; nevertheless our standard of living is built upon an economic foundation, and our whole way of life is heavily influenced by economic considerations. Unless we can, through hard work and the advance of our science, our technology and our leadership, maintain a level of material productivity which will allow us to match in quality and price the output of other nations, East and West, both our economic and our social progress will be in serious jeopardy.

Some years ago, I used these words:

"We must not be carried away by the opinion of the outside world, especially when the opinion runs so strongly in our favor. In this area a number of legitimate doubts, a becoming humility, or perhaps I should say a certain amount of caution, should inform our economic policy. Our future depends not on what the rest of the world thinks of us: what the

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rest of the world thinks of us depends ultimately on what we do for ourselves."

Today, in contrast to the high spirits and great expectations of that time, we find a growing uncertainty and lack of enthusiasm. This, too, is an extreme that we should avoid. After all, we have the same country with the same people, the same enormous natural resources, and the same potential for prosperity and economic growth. There is no reason, therefore, for a pessimism born of a temporary check to the almost unbelievable prosperity and expansion of the past few years. In fact, I have already suggested herein that, properly handled, the readjustment may lead to an even greater and healthier prosperity and expansion in the future.

Let us then remember the principles of service and humility which, in prosperity, we tend sometimes to forget. But let us remember them, not in a spirit of gloom and guilt, but as sources of even greater strength in Canada's continuous and inspiring struggle towards the great destiny which, I believe Providence itself has ordained for this young, strong, growing giant of the north.

Marshall Dwinnell With Stone & Webster Secs.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Marshall Dwinnell has become associated with Stone & Webster Securities Corporation, 49 Federal Street. Mr. Dwinnell was formerly an officer of Dwinnell, Harkness & Hill, Inc.

E. Welles Eddy Forms Own Co. in Hartford

HARTFORD, Conn. — E. Welles Eddy has formed E. W. Eddy & Co. with offices at 750 Main Street to engage in a securities business. Mr. Eddy was formerly with Eddy & Company.

Dusard Hollywood Mgr.

HOLLYWOOD, Fla. — In the *Financial Chronicle* of Jan. 23 it was reported that Justib R. Dusard had joined A. M. Kidder & Co., Inc. in Miami. Mr. Dusard has joined the firm as assistant manager of the office in Hollywood, Florida.

Form American Equity

COLUMBUS, Ga. — American Equity, Inc. has been formed with offices in the Murrah Building to engage in a securities business. Officers are Zimri L. Coffin, president; and B. A. Coffin, secretary and treasurer.

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Behind the Headlines in Canadian-U. S. A. Relations

problem, of Canada's own creation. There is no United States Government capital invested in Canada unless you count common defense facilities like the DEW Line which in construction costs ran upwards of a half billion dollars of the United States taxpayers' money. The United States capital which I understand to be the target of some Canadian complaints is private capital which has gone into business in Canada because, presumably, Canadian individuals or corporations wanted it to and because the general climate of political stability, economic expansion and general hospitality attracted it to Canada.

Government capital invested abroad by a Communist government will go where that government directs it and for a purpose which is political. Private capital is different. It is skittish and sensitive to climate. It is also in good part a function of expansion. Should Canada's expansion cease or should the climate turn genuinely chilly, then I do not think you would find capital from the United States or any free trading country flowing into Canada. Indeed, in recent months I would judge by the decline in the premium of the Canadian dollar over the United States dollar that the movement of United States capital to Canada has appreciably diminished.

Now you will say of that, maybe so, but that the other side of the equation has been deliberately ignored. What about the charge that the United States unfairly restricts imports from other countries, and particularly from Canada?

Earlier I made the point that the United States is not a "free trader" in philosophy or practice. Like Canada, we have tariffs. Like Canada we feel a duty to protect our own producers from excessive damage. It is also true that in terms of goods we in the United States sell more abroad than we buy. In point of fact we have to if we are to continue—as we will —to do what we conceive to be our share for the defense and the economic well-being of the free world. It is the excess of our exports of goods over our imports of goods that enabled us, for example, to pay for the DEW Line, to pay the costs of our troops in Korea and in Europe, as part of NATO's defenses, to keep our billions in aid to underdeveloped countries going and to do all the things which we look on as part of our obligations. We have done all this and seen, in addition, foreign holdings of United States securities and foreign-owned deposits of dollars in our banks rise every substantially in the past five years.

I would challenge anyone to find anywhere in the world as large and as stable a market for their goods as the 170 million citizens of the United States, notwithstanding the actions which we admittedly take from time to time to protect some sector of our own producing economy. These actions understandably upset some of our trading partners but nevertheless they are actions which in terms of our total import trade are relatively minor.

To summarize, I don't think we are a bad trading partner, and I assure you that there is no sinister and go governmental design behind either our exports or our investments in Canada.

IV

Surplus Wheat Problems

Now for our surplus wheat disposal policies.

Both Canada and the United States are troubled with large carryovers or surpluses of wheat. We should note in passing, I think, that these surpluses have arisen in part from unusually good weather in recent years. Mostly, however, they have come as the result of conscious effort in both countries during World War II and the Korean War to increase the production of food for a hungry and disorganized world. Moreover, it is impossible quickly or easily to reduce production of wheat, or any other farm product, once a higher level has been attained. It is not as simple as turning off a production line in a factory when production outruns demand.

There has been much criticism in Canada over United States policies and actions with respect to the disposal of its wheat surplus. We have tackled the problem vigorously on a broad front. We want to sell our wheat but to compete fairly. We have used novel, and, Canadians would claim, unorthodox methods to this end. At times and in certain markets we may have hurt Canada. We have not done it intentionally, and I think that with frequent consultation with Canada before making new disposal agreements we have eliminated or certainly minimized future misunderstandings. That certainly is our desire.

Having said this, I would like to make a few points which are not generally recognized concerning the operation of our program. First, it is not generally known that since 1953 we have reduced the acreage sown to wheat in the United States by 35%. We are trying not only to dispose of an accumulated surplus from the past but to prevent the re-accumulation of surpluses in the future.

Then on the question of price supports, which played a part in the original earlier effort to increase production, the Secretary of Agriculture announced recently in Washington that the price support level for wheat in the coming crop year would be $1.78 a bushel down from $2.00 the previous year and from a high in 1954 to $2.24 a bushel. I think I can claim that we are tackling vigorously the question of avoiding future surpluses comparable to those plaguing us from the past.

Next, a few points on how our surplus disposal program has operated. Incidentally, it has applied to a wide range of products which were in surplus, such as vegetable oils, cotton, feed grains and dairy products. Many of those situations have now been pretty well cleaned up. Wheat and feed grains remain the most stubborn, and unfortunately wheat is the important product from Canada's point of view.

Since 1954 under Public Law 480—which is the basic legislation under which our surplus disposal program operates—we have given away—gratis—free for nothing—more than a billion dollars' worth of food for the victims of flood, earthquake, famine, and other natural disasters around the globe. I don't think anyone in Canada objects to that, although many have been unaware of its magnitude.

Disposal of surplus wheat under Public Law 480 in exchange for strategic commodities — the so-called barter program — has troubled many Canadians. It has also been controversial in the United States. My Government now has taken the position that only when foreign governments give assurance that barter deals will not displace the normal commercial imports will it approve barter transactions. As a result, now barter agreements in the last half of 1957 have been insignificant.

Sales of wheat for local currency under Title I of Public Law 480 have also troubled many Canadians. Let me give you one figure. More than half the wheat moved from the United States under this authority — 250,000,000 bushels out of 469,000,000 bushels, to be exact — has gone to India, Pakistan, Turkey and Yugoslavia. No one can claim that these countries have been able to afford to pay in dollars on the barrelhead for wheat which undeniably they needed dreadfully.

In the case of sales to these countries and to the other destinations of our wheat, the proceeds of the local currency taken in payment by the United States have been in large part loaned back to the country in question for economic development. Our purpose and our effort has been to make wheat available where people were hungry, where they had no dollars to pay for it, or where it would be in amounts additional to what they could buy with dollars. We have used part of this local currency to encourage people to eat wheat and to show them how to cook it, as in Japan, which is historically a rice-eating country.

Our motives, I think, cannot be quarreled with. We have made mistakes, to be sure. We may have hurt Canada and other wheat exporters in certain cases in the past. But we are doing our very best to avoid such hurts in the future and we are consulting on almost a daily basis with Canada to this end.

And now before I leave the subject of our relations in the field of agriculture, let me make one other important but little-publicized point. The general image of the United States presented to the world, I think, is as an exporting country. In point of fact, we import more agricultural products than we export. For the 10 years ended in 1957, the United States exported agricultural commodities at the average annual rate of $3,500,000,000. This included, in addition to commercial exports, all the contributions under the Mar-

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shall Plan, all donations for relief abroad, and all exports under Public Law 480. In that same 10-year period our annual imports of agricultural products from all over the world averaged $3,900,000,000. My recollection is that, excluding wheat, the United States takes about half of all Canadian exports of agricultural products.

V

World Leadership Role

Finally, I want to say a few words on the efforts of the United States to discharge its responsibilities for leadership in the community of free nations and in particular to restate our attitude on negotiations with the Soviet Union.

The United States believes in, and wholeheartedly supports, the United Nations. We, together with Canada, were one of its founders. Though the United States is only one of 82 members, we pay one-third of its annual budget and a far higher proportion of the costs of many of its subsidiary organs and operations. We fought in support of the principles of the United Nations Charter when the Communists attacked the Republic of Korea in 1950. We fought in that defense against aggression because we believe in the principle of collective security.

We believe in the United Nations as a forum for the expression of the public opinion and the aspirations of its members.

You can add together the populations of 45 members of the United Nations before you reach the figure for the population of the United States. Notwithstanding, we have attempted to conduct ourselves, in the words of the Charter, "on the principles of the sovereign equality of all its members." We have never availed ourselves of the right of veto in the Security Council accorded to us in the Charter. I might note in passing that the Soviet Union has used its veto 82 times in the last 12 years.

I said that we believe in collective security. We have acted in response to that belief not only in resisting aggression in Korea but in joining together with other like-minded countries in signature to the North Atlantic Treaty, to the Organization of American States, and to other multilateral and bilateral collective security arrangements with a total of 42 friendly nations as contemplated by and authorized under the United Nations Charter. Until such day as the United Nations is able to asure the defense of the freedom of its members, we have no choice but to rely on such collective security arrangements. They are the equivalent of the police department in a civilized, freedom-loving civic community.

The United States has great material power. It had for awhile monopoly of the possession of the atom bomb. In that period of monopoly it offered to participate in a system of control and disarmament under international auspices. The Soviets refused. The Soviets now possess not only the atomic but also the hydrogen bomb, and they have demonstrated in recent months their great advance in developing the means of delivering that weapon to any spot in our world.

We have regarded the retaliatory power inherent originally in our monopoly and still effective in our stock of weapons and highly developed vehicles of delivery as in the nature of a public trust —an umbrella of protection under which our Allies as well as ourselves could shelter.

Defends Our Leadership

One hears from abroad today occasional voices burdened with two themes. The first is that the United States is inexperienced in leadership, impetuous by nature, and essentially irresponsible. I ask you to look at the record of the United States in world affairs for the past 15 or 20 years to dispel any doubts on that score.

The other theme-song is that war has now become so terrible that the United States, if one of its Allies were attacked, would not risk bringing down upon itself a rain of thermonuclear destruction by going to the defense of its ally. It is said we would not sacrifice our own safety to fulfill our pledge. I only reiterate the solemn word of President Eisenhower when I say that the United States will fulfill its pledges. Let there be no doubt as to our will and resolution.

Let there equally be no doubt as to our will and resolution to make the sacrifices necessary to maintain what George Washington called a "respectable defensive posture." A part of this is the support in money and materiel of those of our Allies who are unable out of their own resources to make by themselves alone the contribution which is necessary for our common defense. In the last 10 years we have contributed in economic and military aid approximately $50 billion in support of the free world against the threat of military attack and subversion.

You will say, and I agree, that to stand on our defenses is not good enough. Others will say, or have said, that this appears to be the program of the United States; that the United States is not genuinely willing to seek accommodation by negotiation with the Communists. That accusation is easily refuted. We are not only willing in the future to negotiate but we have demonstrated such willingness in the past. I, myself, have participated in literally months of negotiation with the Soviet representatives in the past four years at the Berlin Conference of Foreign Ministers, at the Geneva Far Eastern Conference, at Vienna over the Austrian State Treaty, at San Francisco, in New York at the United Nations, at the Summit Conference in 1955, and at the Foreign Ministers Conference at Geneva later that same year. President Eisenhower and Secretary Dulles have both in recent days reaffirmed our constant readiness to make any conceivable effort that might help to reduce world tensions.

In connection with this question of negotiatiins, let me make several points. The first one is very important. It is that serious negotiation must be conducted in private. The channels through which such serious negotiation can be conducted have always been open and will always remain open to the Soviets. These channels are diplomatic, either through our Ambassador in Moscow or the Soviet Ambassador in Washington or under the auspices of the United Nations.

There is one fairly simple test of Soviet intentions and seriousness. If the Soviets mean business they will respect privacy. There have been examples of this. One was the negotiation which resulted in the lifting of the Berlin Blockade in 1949. Another was the initial stage of the negotiation which led to the establishment of the International Atomic Energy Agency which was first suggested by President Eisenhower in his speech to the General Assembly of the United Nations on Dec. 8, 1953.

There were countless opportunities for the Soviets to embark on serious negotiations on the control and limitation of armaments during the six months that they and the delegations of Canada, the United Kingdom, France and the United States met in London last year and in all the preceding years of negotiation in that same subcommittee of the United Nations. I repeat, the channels are open. One vital test of good faith and seriousness of purpose is whether or not the Soviets choose to avail themselves of them.

Limits to Concessions

The second point which I want to make is one of principle. Canada and the United States and our other Allies do not frame their foreign policies lightly, capriciously or on expediency. These foreign policies are designed to assure national survival and protect vital interests. They also reflect the essential element of what we think is right and what is wrong. We want peace, but not just the peace of the cemetery or the slave labor camp, but peace with justice. In other words, there are some things we value more highly than peace. There are some things which we will fight for, as we have proved three times in the last half century. This means that there are some things on which we cannot in decency compromise. One of these, if course is that we will not dispose of other peoples as though they were pawns in a chess game.

This means, then, that there are limits to what we can agree to in negotiations with the Soviets.

One further and last point on negotiation. What I am about to say bears particularly on the Soviet campaign in recent weeks for a meeting with the West at the highest level. The heads of governments cannot be expected to take the weeks and months required to work out in detail a dependable agreement on any major problem in all its complexity. It is a highly risky enterprise to bring the heads of governments together for a conference before there has been an area of agreement carefully negotiated at a lower level. In the absence of such successful preparation, the heads of governments when they meet have only two choices. They can agree on a communique worded in general terms which would reflect no real agreement but leave the dangerously misleading impression that a genuine meeting of minds had, in fact, occurred. Alternatively, and I think equally dangerous, they can meet and then, for all the world to see, fail to agree. In the first case disillusionment will follow what may be an initial fatal relaxation. In the other case the world would be shocked and tensions increased with all the risks that would mean.

To recapitulate, serious negotiation must be conducted in private. The channels have been open. They remain open. It is folly, however, to thing of negotiation as the answer or an end in itself. If the Russians keep on saying "no" on every issue which touches our conscience and our survival, it is childish and dangerous to think that in the end we have no choice but to say "yes" in order to reach agreement. Finally, we should be wary of high-level meetings in the absence of adequate preparation and successful staking out of areas of agreement in advance.

VI

Friendly Relations

I said at the beginning that I was in the role of advocate. I have touched on three points of criticism which I have heard increasingly since my arrival in Canada, criticism of actions or policies of the United States. I have done this, I hope, in good temper, and, I can assure you, solely for the purpose of trying to contribute to what I think is the most important aspect of my country's foreign policy. This is the maintenance of friendly, mutually-respectful and cooperative relations between our two countries.

There are two great facts which dominate our common existence. There is geography, first. Our 4,000 mile border locks together the destiny and the life of our two countries and we can do nothing about it. The greatest threat to our national survival is no longer from across the Atlantic or across the Pacific. It is not from the south. It is over the North Pole and the Arctic. Canada and the United States are on the front line facing the only power in the world today which by its leaders' own repeated statements seeks domination of the world.

The second great fact is the nature of the regime which controls that center of industrial, scientific and military power, the Soviet Union. We can hope—and I have complete faith we can rightly believe — that the nature of that regime in time will change and that the people of Russia will then be able to live as the people of Canada and of the United States want to live, in peace, threatening and fearing no man.

But as long as geography locks us together and as long as this threat against us endures, our common survival, if nothing else, requires that we understand each other and work together. If I can contribute in any small way to furthering our understanding of each other, I will be serving, I think, Canada as well as the United States.

Schrijver Partner

Schrijver & Co., 37 Wall Street, New York City, members of the New York Stock Exchange, will admit Irving Herzenberg to partnership on Feb. 1.

William K. Shepard

Dr. William K. Shepard passed away Jan. 22 at the age of 82. Dr. Shepard, who had recently been associated with Laird, Bissell & Meeds in New Haven, had been an assistant professor of physics at Yale University from 1916 to 1920. From 1920 to 1932, when he opened his own investment business, he had served in managerial positions with several industrial companies.

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Railroad Securities

Alleghany Corp.

The death of Robert R. Young late last week came at an ironic time. For two years he and Alleghany Corp., of which he was Chairman, had been fighting through the courts to have a plan of recapitalization approved. The plan had been opposed by a group of minority stockholders.

The United States Supreme Court on Monday gave approval to the plan. Alleghany attorneys now will request the United States District Court to pass on the few formalities in order to clear up the exchange offer and activate the plan. It is anticipated the lower Court will act rapidly. The exchange offer is expected to have the effect of increasing the asset value of the common stock.

The vast New York Central System, second largest carrier in the nation, is controlled by Alleghany Corp. For years the road had shown improvement in earnings and increased its operating efficiency. However, last year earnings dropped to $1.30 a share as compared with earnings of $6.02 a share in 1956. Only last week, directors of Central failed to take any action on the dividend for the first quarter of 1958. This gives some indication of the decline in earnings.

The drop in Central's earning power has been brought about by a number of factors. Losses have been piling up from passenger business and these have been eating into profits from freight traffic. Prices of materials and supplies have been rising and wages are up substantially. To offset higher costs the roads have been seeking to abandon passenger trains or consolidate trains so there will be fewer trains to operate. Higher wages also have been reflected in higher terminal costs and yard operations. The man-hours involved in terminal operations are particularly heavy in the East because of the large number to be operated and the expensive switching. Consolidation of yards is underway and something along these lines have been accomplished. This, however, takes working capital.

On Nov. 30, 1957, cash approximated $32,200,000 and short-term investments were $31,100,000, making the total of these two items $63,300,000, a decrease of $6,100,000 from Oct. 31, 1957 and a drop of $13,700,000 from Nov. 30, 1956.

Working capital at the end of November is estimated officially at $42,800,000, a decrease of $6,500,000 from Oct. 31 and a decline of $20,600,000 from Nov. 30, 1956.

Part of the drop in working capital can be explained by the increase in purchases of new equipment which generally is financed partly through cash and the sale of equipment trust certificates. During the period Dec. 31, 1956 to Nov. 30, 1957, there were sales of equipment obligations in the amount of $60,434,318, while retirements of these obligations totaled $28,202,591, or a net increase during the period of $32,231,727. This brought the total amount outstanding at the end of the period to $252,565,490. Grand total of the amount of debt outstanding at the end of November was $982,250,547 as compared with a total of $958,076,183 at the end of 1956.

Operating ratio for November was 87.73% as compared with 85.05% in the like 1956 months and for the first 11 months it was 84.28% against 81.45% for the like 1956 period. The transportation ratio also showed an increase, being 49.67% in November and 47.27% in the 1956 month, and for the first 11 months it was 47% as compared with only 45.38% in the like 1956 months.

At one time, Alleghany Corp. controlled the profitable Chesapeake & Ohio Railway and also the New York, Chicago & St. Louis (Nickel Plate). Funds from the sale of the latter two holdings were used to buy control of New York Central.

Phila. Secs. Ass'n Elects Officers

PHILADELPHIA, Pa.—Leighton H. McIlvaine of Goldman, Sachs & Co. was elected President of the Philadelphia Securities Association at the annual meeting and election of the Association. Mr. McIlvaine succeeds John D. Foster of Studley, Shupert & Co., Inc. whose term expired.

L. H. McIlvaine

Other officers elected at the meeting were Spencer D. Wright, III, of Wright, Wood & Co., Vice-President; William G. Berlinger, Jr., of Elkins, Morris, Stokes & Co., Treasurer; and William A. Webb of DeHaven & Townsend, Crouter & Bodine, Secretary.

The following were elected to the Board of Governors to serve for three years: Spencer D. Wright, III, William G. Berlinger, Jr., William A. Webb and John F. Erdosy of the Insurance Company of North America.

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Continued from first page

Neighbors Over the Back Fence

War, a position of leadership and correlative responsibility among the nations of the free world.

In this development, may I assure you that the people of Canada rejoice. Nevertheless, we are coming more and more to realize something which may not be so obvious to you who live in the larger and more powerful nation. This something is the inescapable fact that the emergence of the United States into a position of primacy among the free nations and as one of the two most powerful countries in the world has made more complex the relations between the United States and its next-door neighbor and close friend, Canada. I feel sure you will not accuse me of mere national bias when I claim that between Canada and the United States there is a special and, indeed, an intimate relationship which does not exist between your country and any other. Between us who are, as I have indicated in my title, "neighbors over the back fence," there will inevitably be many minor sources of irritation such as sarcastic comments about one another's noisy TV, complaints that the dog next door does not respect the neighbor's flower beds, or the equivalents at the international level. These normal and natural problems have generally been resolved without rancour because of the knowledge and understanding of one another and the long experience in living side by side of our two peoples who have so much in common. These neighborly differences do not worry me.

Clear Vision

During the brief period that I have been called upon to discharge the responsibilities of a foreign minister, I have come to realize that you need the eyes of a potato to look in all directions at once and to test proposed actions against the multitude of obligations and conflicting interests which beset you on every side. Does a proposed course of action offend against resolutions of the United Nations? Will it violate treaty obligations? Should you consult your NATO partners? How does it fit in with your foreign aid program? These tests of a proposed action we have in common with your Government. For us in Canada there is also the important consideration: how does this affect the Commonwealth? In your case, one readily sees that perceptive glances must also be directed towards the Organization of American States, the Southeast Asia Treaty Organization, ANZUS, and a host of bilateral undertakings. All of this is in addition to the many domestic interests and more particularly to the interests of the trading community which are inevitably involved in all matters of foreign relations. I reiterate that the more of these outside obligations and interests the United States has, the greater is the chance that your Government and its potato-eyed advisers might, in this respect or in that, overlook or underestimate the relative importance of the effect of a contemplated action on Canada and in particular upon the Canadian economy.

This chance is a matter of deep concern to us. Canada is your ally. Canada is your close partner in common defense. Canada has paid and seeks to pay its own way, to lend a helping hand to those less fortunately placed. I speak to you neither as a suppliant nor as a jingoist. I ask merely your thoughtful consideration of the hazards if, at any time, there is a lack of clear vision.

The precise relationship between our two countries at any given moment is not easy to define or even to describe. Perhaps one of the few things that can safely be said is that the relation ship is not static but alive and flowing. In consequence, neither of us dares to assume that things [illegible] they are will continue so tomorrow and the day after. In brief, we dare not take one another for granted. What we should and, I hope, can take for granted is that each of us wishes the other well and each of us will not deliberately harm the other. May I quote Mr. Dulles again. I would not have you think that the "foreign ministers' union" spends all its time back-scratching, but I think I can safely say that finding my views so well expressed by your own Secretary of State indicates the extent to which there is a coincidence of thought in this context between those holding public office in our two countries. Mr. Dulles said in the article to which I referred previously, "We do not forget that every government has a primary duty to serve its own people. But usually that service can be best rendered by finding ways which help others also, or which at least do not hurt others."

Because our relationship is alive it follows that it is growing and that the direction and extent of its growth is constantly affected by many influences. As so often happens, a poet has put my thought more succinctly than I possibly could in the simple, direct words:

"Not a having and a being
But a growing and a becoming."

This growing and developing organism will inevitably be influenced by many factors and it is of utmost importance for both our countries that groups such as yours should be well-informed at all times if they are to play their full role in helping shape policies on international matters.

I intend to review briefly some significant aspects of the relations between Canada and the United States.

Relations Between Two Countries

In the all important defense field, Canada-United States relations have been close and firm for many years through war and peace. These essential common endeavors are based in geography and in our common acceptance, together with our allies in NATO, of the strategy of the deterrent to war. Canada's main contribution to this deterrent lies in the steps she has taken to assist in providing units for the SHAPE forces in Europe, and in the protection of the forces of the Strategic Air Command and of the industrial capacity of North America.

The complex and expensive technical requirements for modern defense have increased the need for ever closer co-operation of our two countries. The Canadian Government has not failed to recognize this need and Canada will do all in its power to meet it. The life blood of effective co-operation is the constant two-way flow of information and ideas between the partners. For the success of our special efforts in the defense field, a special endeavor must therefore be made to ensure the adequacy of our consultation, one with the other.

Effective co-operation requires the constant recognition of national susceptibilities. The requirements of national defense in this modern age impinge upon every citizen. He is asked to sacrifice in the interests of national defense. Therefore, he has a right to know that what is being put before him as a defense requirement is indeed essential. In our co-operative enterprises our two Governments must constantly bear in mind the aspirations and susceptibilities of the citizens whom they represent.

The close co-operation of Canada and the United States in the defense field implements the principle of interdependence which has been espoused by the Atlantic Alliance. We must strive with our NATO partners to give ever greater substance to that principle. One practical contribution will be a constant search for ways and means by which the burden of defense requirements can be shared. We must examine this problem not alone from a somewhat selfish national point of view which would require the use of "made at home" products; we must look to the defense interests of the larger community and recognize that on occasion we can achieve economy and efficiency by the use of the talents of others.

Everyone is ready with the cliche about our undefended boundary. I prefer to cite several examples of co-operation and forward thinking on the part of our two countries which have resulted in substantial advantages to both, almost belying the ancient mathematical assumption that the whole does not exceed the sum of its parts.

The most striking example is of course the St. Lawrence Seaway and Power Development now nearing completion. This great work could not have been accom-

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Neighbors Over the Back Fence

plished by either party alone. Perhaps less well known is the completion recently of the Niagara Remedial Works. By co-operation a landmark of great beauty has been preserved against the destructive effects of erosion and, incidentally, additional power can soon be generated in the State of New York and in the Province of Ontario. Again, in certain areas of the Great Lakes combined action has been taken to overcome a menacing situation which had begun to arise from air and water pollution.

In Passamaquoddy Bay, on the border between Maine and New Brunswick, a renewed effort is being made under the aegis of the International Joint Commission to find an economic way to harness the vast movement of tides in the Bay of Fundy for the common benefit of our two peoples. In the far west, it is our earnest hope and expectation that similar co-operation and mutual understanding will bring about a happy issue in the exchanges now taking place through diplomatic channels and in the International Joint Commission concerning the development of the waters of the Columbia River.

I could mention many other areas of co-operation — as for example fisheries conservation — but I am sure many of these instances are already present to your mind.

Economic Relations

I turn next to some aspects of our economic relations with the United States. In the communique that was issued at the conclusion of the recent meeting of the heads of government of NATO countries, special recognition was given to "the interdependence of the economies of the members of NATO and of the other countries of the free world." The corollary that we must draw from this is, of course, that we must all be careful to formulate our economic policies in such a way as not to cause unnecessary injury to the economies of our allies and friends. This is a responsibility which we all share but it is perhaps one that devolves in largest measure upon the United States. I say this not because I think the United States ought somehow to carry a relatively greater burden than others. I say it because the United States is so very much the world's strongest economic power that it is within the ability of Americans to influence the economic well-being of millions of people outside their own country. That is why we look to the United States to follow policies which make for a stable economy at home and which will allow other countries to expand their trade with the United States to the benefit of us all.

Now it is only fair to say at this point that we in Canada recognize the positive and constructive policies which the United States has followed over the past decade or so. The United States has taken a leading part in the setting up of regulatory bodies in the sphere of world trade and payments. The United States, by virtue of its trade agreements legislation, has also been able to play a major role in the expansion of world trade through the lowering of tariff barriers. The result of these various initiatives has been the gradual emergence of a multilateral trading world in which the use of restrictions upon trade and discrimination in the conduct of trade has been held to special circumstances in accordance with rules formulated by international agreement. I need not tell how much importance we in Canada have attached to these developments except to remind you that Canada is today the fourth largest trading nation in the world and that we probably do more trade on a *per capita* basis than any other country.

Trade Vulnerability

To illustrate the importance of trade to Canada here are some comparative figures. Canada's trade with the United States is equal to about 25% of our Gross National Product. The trade of the United States with Canada is equal to less than 2% of the American Gross National Product. It is hardly surprising, therefore, that the problems which we in Canada are experiencing in our trade with you should loom so much larger to us than any trade problems which you may be encountering with us. The figures that I have just given to you serve to highlight the point that I made a few minutes ago, which was that, while the economies of all of us in the free would are interdependent, we in Canada are just that much more interdependent with the United States.

But it is not only the very large place which foreign trade has in our national economic life that makes Canada so vulnerable to economic conditions in the United States and to United States trade policy. The pattern of our trade with the United States serves to reinforce that vulnerability. The trade carried on between our two countries is the largest trade between any two countries in the world. In recent years the United States has taken 60% of our exports and it has been the source of between 70% and 75% of our imports. In other words, fully two-thirds of Canada's trade has been with the United States. Apart from its volume, this trade has been marked by a growing imbalance in favor of the United States. This imbalance reached a record in 1956 when Canada's deficit in commodity trade with the United States was just under $1,300 million. Indications are that the figure for the year just ended may have been of about the same order.

Now we in Canada do not contend that trade between any two countries should be strictly balanced. Indeed such a contention would make nonsense of the concept of multilateralism to which we are attached and which, we think, has helped Canada and other countries greatly to expand their trade over the past several years. But we do think that the United States should recognize two consequences which flow from this situation: first, that it is right for Canada to seek to broaden the markets for its goods and the sources of its imports; and second, that Canada would expect the United States to show due understanding for Canada's trading problems.

One facet of our basic trading problems with the United States is, of course, the composition of our trade. What you buy from us is largely raw and semi-manufactured materials. This is because your tariff structure tends to inhibit the importation of finished products. We, on the other hand, import largely finished products from you and many of these are products which compete with the output of our own growing manufacturing industry. And while I am on the subject of the United States tariff, I observe that we in Canada attach great value to the United States being in a position, in concert with other like-minded countries, to continue to take beneficial initiatives toward a lowering of tariff barriers throughout the world. This is something we regard as important not only for the trade of Canada, but for the future of multilateral trade everywhere.

U. S. A. Oil Restriction

Tariffs are not, of course, the only barrier to the free flow of trade. There are various other forms of restrictions upon trade which, at best, create doubt and uncertainty and, at worst, cause injury to the interests of friendly countries. By way of example, I mention only one matter in this field which is currently preoccupying us in Canada. It was just before Christmas that the United States Government announced the extension of import restrictions on oil in such a way as to affect our interests adversely. We made it clear at that time that we could not "accept the view that there is any justification for United States limitations on oil coming from Canada, either on economic or on defense grounds."

As witness to the reasonable basis for Canadian surprise and dismay at this decision, I refer only to the many editorial comments which have been published in leading financial papers and in the press generally throughout the United States. These editorials express cogently, eloquently and straightforwardly how severe a blow this action represents, particularly when added to other actions affecting adversely the Canadian economy.

Before I leave the subject of our trade problems with the United States, I should perhaps say a word about your agricultural surplus disposal program, particularly as it relates to wheat. Let me say first of all that we have no quarrel and, indeed, sympathize with the use of agricultural surpluses to relieve hardship and suffering in emergency situations. This is something which, within our more modest means, we have equally endeavored to do. What has caused us concern is that, in one way or another, by the payment of subsidies, by barter, and by sales for local currency the United States has been carving out markets for its wheat in such a way as to increase its share of world markets at the expense of the commercial marketings of other wheat exporting countries, mainly Canada. Indeed, over the past two years United States exports rose by no less than 200 million bushels per annum while Canada's exports declined by just under 50 million bushels. In these circumstances it is perhaps not surprising that Canadians should ascribe their difficulties in maintaining their fair share of world markets for wheat to methods with which it would be unrealistic to expect a country like Canada to compete.

American Capital Flow

Because of its very close connection with trade, I intend now to say something about investment. There can be little doubt, I think, that Canada has encouraged investment and that successive Canadian Governments by their policies have endeavored to create a favorable climate for it. The confidence which foreigners have shown in Canada is attested by the more than $15 billion that they have so far invested in our country. Four-fifths of this total has been invested in Canada by Americans.

Now I desire to make it very clear that this investment from abroad, this vote of confidence in the future of Canada and in the growth potential of the Canadian economy, is something that we in Canada have welcomed and that we shall continue to welcome. We recognize that this investment has been an important supplement to our domestic resources and savings in enabling us to make the very rapid advances which we have made in the postwar period. On this there ought to be no misunderstanding either in the minds of Canadians or among our friends abroad.

I should be less than frank, however, if I pretended that certain aspects of this very substantial American investment has not been causing some concern in Canada. It is possible, I think, to single-out two aspects of this matter which Canadians have found disturbing. First, United States investment is very heavily concentrated in certain sectors of the Canadian economy. Thus 60% of our main manufacturing industries are owned and controlled by United States interests and this element of ownership and control is even larger in some of our primary resource industries, such as the oil industry to give but one example. The second point of concern to Canadians arises directly from this fact. What Canadians are afraid of is that United States control of important sectors of the Canadian economy has tended to shift to the United States the making of decisions that have a bearing on the Canadian economy. What would you say, members of the Bond Club, if the situation were reversed?

Now one very simple remedy is for United States investors to make certain that all their Canadian enterprises take full account in their policies of their Canadian environment and of Canadian national interests. There are many ways in which they can do so. One way is to give opportunity for participation by Canadians in the direction of such enterprises. Another is to participate in Canada's research efforts and in the training of Canadians for positions of technical and managerial responsibility. Finally, we would wish to see United States owned and controlled companies in Canada adopt purchasing and exporting policies that would allow them to purchase in and to export to any market. It is our view that this would be in their own interest no less than it would be in the national interest of Canada.

Special Relationship

From what I have said, there would seem to derive two main considerations which should be kept in the forefront of our minds in considering international problems which do or may affect rela-

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tions between Canada and the United States. In the first place, it is essential that on Canada's part there should be continued recognition of the leading role which the United States is playing in the world today—together with all its attendant responsibilities. Recognition of this primacy is at the same time entirely consistent with and even dependent upon recognition of Canada's equality of status, and with a full recognition of the distinctive Canadian national identity. In the second place, the continuing growth, expansion and strengthening of the Canadian economy will ensure that Canada is able steadily to increase its contribution to the combined strength, military, economic, cultural and spiritual, of our two countries and of the free world.

As I have already indicated and indeed emphasized there is between the United States and Canada a special relationship. We are allies in the cause of freedom, but because of the facts of geography, history, and inter-twined growth and development we are something more — neighbors over the back fence. What is done on one side of the fence almost immediately and inevitably has effects, beneficial or otherwise, on the other side.

Neighborliness devoid of friendship would become mere toleration. A sincere and friendly disposition to one another and to one another's problems is an outstanding characteristic of neighborliness. This attitude is not shown at all times and in all circumstances and by all members of our two democracies. To the extent that there is a falling short of the ideal, let us be frank to acknowledge the failure and seek to overcome it. True friendship cannot be wrecked by honest frankness.

This relationship of neighborliness is not a static relationship, but alive and growing. May it ever continue to grow and flourish!

To Speak on NYSE

Mrs. Simone H. Bosc, registered representative with Harris, Upham & Co., 445 Park Avenue, nationwide investment brokerage firm with 36 offices coast to coast and members of the New York Stock Exchange, will discuss the "Birth and Development of the New York Stock Exchange" before members of the French Folklore and Historical Society on Friday, Jan. 31, at 8:30 p.m. in the Ecole Libre des Hautes Etudes, 52 East 78th Street. The lecture will be followed with a short speech by Henry Goiran, President of the Society and Minister Plenipotentiary.

New School Schedules Investment Series

The New School for Social Research announces a series of 11 talks, "Outlook for Investments," by leading financial and securities experts under the leadership of Helen Slade, Managing Editor, The Analysts Journal, and lecturer on finance and economics, beginning Wednesday, Feb. 19, at 5:30 p.m.

Helen Slade

Glenn G. Munn, Paine, Webber, Jackson & Curtis, and Pierre R. Bretey, partner, Hayden, Stone & Co., will lead off the series on Feb. 19. Mr. Munn will speak on "Probabilities Bearing on 1958 Stock Prices" and Mr. Bretey on "Have Railroad Shares Seen the Worst of the Present Adjustment?"

Speakers in subsequent weeks are John Stevenson, partner, Salomon Bros. & Hutzler; Schroeder Boulton (partner, Baker, Weeks & Co.); Roger F. Murray, dean, Columbia School of Business; F. W. Elliott Farr, Vice-President, Girard Trust Corn Exchange Bank, Philadelphia; Gilbert H. Palmer, Vice-President, National City Bank of Cleveland; M. Dutton Morehouse, manager, Chicago office, Brown Bros., Harriman & Co.; Jeremy Clayton Jenks, Partner, Cyrus J. Lawrence & Sons; Percy H. Buchanan, Morgan Stanley & Co.; A. Hamilton Bolton, partner, Bolton, Tremblay & Co., Montreal; Ralph A. Rotnem, partner, Harris, Upham & Co.; W. Truslow Hyde, Jr., partner, Josephthal & Co.; G. Howard Conklin, Dana Investment Co.; George M. Hansen, Keystone Custodian Funds, Inc., Boston; Lucien O. Hooper, W. E. Hutton & Co.; William A. Hobbs, partner, Clark, Dodge & Co.; Ragnar D. Naess, Naess & Thomas; Richard W. Lambourne, Treasurer, The Ford Foundation; Shelby Cullom Davis, Shelby Cullom Davis & Co.; James F. Hughes, Auchincloss, Parker & Redpath; and Edmund W. Tabell, Vice-President and Director of Institutional Research, Walston & Co.

Market Corp. Formed

(Special to The Financial Chronicle)

ST. PAUL, Minn.—The Market Corporation is engaging in a securities business from offices at 93 East Sixth Street.

Purchasing Agents Expect Business Upturn

Survey reports current business in the doldrums but devines a definite thread of optimism concerning the future. Significant number of purchasing agents believe we are at or near the bottom and predict a definite upturn this year.

The Jan. 29 report of the National Association of Purchasing Agents Business Survey Committee, whose Chairman is Chester F. Ogden, Vice-President, The Detroit Edison Company, Detroit, Michigan, report business, in 1958, is off to the plodding start which the members predicted last month.

The Purchasing Agents find the downward slide has continued, and not since before World War II have so many said that their production situation is worse. Forty-eight per cent state that January production is down from December, 40% the same, and only 12% better. Similarly, the new order situation is gloomy. We have to go back to 1949 to find so many of our committee members reporting poorer new order bookings. In this category, 48% say their position is worse, 37% the same, and only 15% better.

It is obvious that current business is in the doldrums. But despite this present dip, there is a definite threat of optimism concerning the future in this month's report. The question, of course, is how pronounced and how long-lasting will the current recession be? A significant number of our reporting members believe we are at or near the bottom. They hopefully expect and predict a definite upturn this year.

The present curtailed production schedules are reflected in this month's employment and inventory data. Employment is down, and purchased inventories have again been trimmed to fit the generally lower volume of output.

With all materials readily available, the law of supply and demand is in full operation and prices are more competitive than they have been in years.

The financial plight of some of the railroads and the rapid rise in transportation costs have emphasized the importance of these costs as related to delivered goods prices. For January's special question, we asked, "Relative to the total cost of the items you buy, would you say that transportation costs are assuming a greater, the same, or lesser significance than they have previously?"

All but 8% think that transportation costs have gotten out of line with the other price increases they have experienced. Many expressed more than a casual concern over these increases and told of various ways that they are trying to combat high transportation costs.

Commodity Prices

Prices continue under pressure. The combination of plentiful supplies of all materials and reduced demand is resulting in the most competitive market situation that has existed for years. Alert buyers report that a careful market review of individual items is paying real dividends. Over-all, 11% of our members say their prices are up, 80% the same, and 9% report reductions.

Inventories

It would appear that purchased materials inventories are still under close scrutiny and are quickly being adjusted to meet lower production schedules. Many buyers express concern over mounting finished goods inventories. While 43% say their inventories are about the same, there are 41% who have effected some further reductions over December. On the other hand, 16% report that the slow-up in sales has caused at least temporary increases in their inventory levels.

Employment

Figures for January show employment as generally worse than in December. However, comments from our reporting members are somewhat more optimistic than these figures reflect concerning the near future. While there is no great wave of optimism, there is a feeling that, by stabilizing working hours, reducing or eliminating overtime and keeping shifts in balance with production requirements, maximum employment can be maintained under the present business conditions. There are only 6% who report any improvement this month over last. With 41% showing no change, the majority, 53%, are in a worse position.

Buying Policy

Many reports speak of former hard-to-get items, particularly in the MRO classifications, as current "shelf items." This availability reflects itself in the continued shortening of forward commitments in both production and MRO items. Little change is noted in the figures for capital expenditures.

	Per Cent Reporting				
	Hand to Mouth	30 Days	60 Days	90 Days	6 Mos. to 1 Year
January:					
Production Materials	11	40	37	12	--
MRO Supplies ------	31	41	21	4	3
Capital Expenditures	14	7	14	22	43
December:					
Production Materials	13	34	38	13	2
MRO Supplies ------	29	40	23	7	1
Capital Expenditures	14	5	9	23	49

Specific Commodity Changes

Careful market reviews and individual commodity analyses are resulting in lower prices for the prudent buyer.

On the *up* side are: Some electrical equipment, bariums, borons, freight charges.

On the *down* side are: Brass, copper, lead, zinc, coal, oil.

In *short* supply: As in December, nothing.

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Looking Ahead—1958 and Beyond

by business, which from $29 billion in 1955 rose sharply to $35 billion in 1956 and climbed further to $37 bililon last year. Indications are that spending tapered off in the last quarter of 1957, however, and that substantial cutbacks will be made in 1958. The SEC-Commerce Survey made in October and November reported an anticipated drop to $35.5 billion rate in the first quarter of 1958. The McGraw-Hill Survey of Business and New Plants released in October indicated an 11% decline in 1958 below 1957 levels. And in the most recent capital appropriations survey conducted by the National Industrial Conference Board, manufacturers reported a substantial drop in new appropriations, foreshadowing, the Board concluded "a prospective decline in capital outlays by manufacturing industry which may continue through the year."

Reasons for the prospective cutback are not hard to find; a condition of excess capacity generally throughout industry as a result of over-expansion, with operations well below the "preferred operating rate"; the prospect of still further additions to capacity as plants now under construction are completed in 1958; a tight money market in 1957 with money rates at levels so high as to invite postponement or cancellation of expansion or modernization programs; and a deterioration in business sentiment caused in part by the failure of business activity to make its expected seasonal fall pick-up and by apprehension over the possibility of a recession.

Present indications are that the drop in capital spending in 1958 will be on the order of $4 billion below the 1957 level although further deterioration in business sentiment could bring with it additional plans for retrenchment.

Inventory Spending

What business does in 1958 in the way of reducing or increasing its inventories may have an important bearing on the course of the economy as a whole. With new orders coming in at a rate below sales, it is likely that manufacturers will continue the liquidation process into the first half of 1958.

The inventory liquidation process in 1953-54 took a little over a year and dropped book values by $4 billion; in 1949 book values were reduced by $3 billion in just under one year. The latest available figures show end of November inventories of manufacturers as 193% of November sales — up from 171% two years earlier, but below the 1949-1953 peak of 200% and 204%. In the durable goods sector where much of the top heaviness seems to be concentrated, the November ratio was 228%, compared with 201% and 202% at the 1949 and 1953 peaks.

What the consumer will do in the way of spending is even more of a question mark at this time than it usually is. Personal income rose steadily in the first eight months of 1957, then slacked off moderately as factory layoffs and shortened work weeks cut the take-home pay. In retail sales the pattern was similar.

In 1949 and in 1954 consumer spending was a strong sustaining factor. But in each of these years consumer spending had the help of substantial tax reductions, whereas now with deficit financing and a raised debt limit in prospect, the chances of a tax cut are extremely slim (unless the economy should slump much more severely than now seems probable).

It should also be noted that the average consumer is in a less favorable position to maintain or expand his buying. The most recent figures show consumer debt outstanding at about 14% of spendable income (i.e., after taxes) as against 12% in 1953 and 9% in 1949.

The housing picture is more encouraging. Non-farm housing starts apparently touched bottom last March and after running at a 964,000 annual rate in the first half of 1957, picked up enough in the second half to bring the year's total to 1 million or very close to it. For 1958, experts in this field are forecasting slightly over 1 million starts, in view of the trend of the last few months and the expectation of a more plentiful supply of mortgage money and lower borrowing rates.

Apart from housing, the rest of the construction picture is likewise encouraging. The commerce and labor departments at year-end jointly forecast an increase in new construction expenditures from the $47.2 billion in 1957 to $49.6 billion in 1958. It may be questioned how much, if any, of the increase is not simply the result of price increases.

Bond and Money Market

In mid-November the Federal Reserve System dramatically announced a change in credit policy when it authorized a ½ percentage point cut in the rediscount rate to 3%. The Fed's move gave recognition to the fact that inflationary pressures had abated and the direction of the economy had turned downward. Effect on the money and bond markets was startlingly swift. Most money market rates skided downward and bond prices rallied sharply.

Note the following:

1. The rate on the Treasury's 91-day bills is close to 2.75%. As recently as mid-October it had been 3.66%.

2. The Treasury's 4s, of 10-1-69, were offered in late September and issued on Oct. 1. Shortly after issuance they sagged fractionally below par. Currently they are priced at 109.

3. This past week Aaa rated Connecticut Light & Power offered a 30-year bond on a 3.889% yield basis. On Sept. 23 similarly rated Consumers Power also offered a 30-year bond but for 4.71%.

In October the Federal Home Loan Banks borrowed for six months on a 4¾% yield basis. This past week on a similar maturity, the same agency paid 3.30%.

5. The Bond Buyer Municipal Index stood at 3.57% on Aug. 15. On Jan. 9 it stood at 2.97%.

Money is a commodity and as such the price it commands is subject to the laws of supply and demand. Last summer and fall witnessed a reduction in credit demands on the part of business, due primarily to lagging sales and reduced profit margins which in turn brought about cuts in inventories and capital expenditures. A contra-seasonal contraction of loans by banks to business developed simultaneously with a reduction in corporate bond offerings. The generally sidewise movement that the economy had shown for several months was arrested and deflationary forces moved to the fore. The Federal Reserve gave official and formal recognition to this condition with the rediscount rate cut in November. While the Federal Reserve's action of itself did not increase the credit supply, it implied that further steps would be taken to make credit available throughout the banking system until deflationary pressures have been arrested.

The current trend toward lower money rates and higher bond prices should continue over the period just ahead with no more than minor interruptions. This doesn't mean a return to the low rates of the early 1950's. As a matter of fact, there would seem to be a reasonably good balance in the present area of rates. Investors are receiving a good break, are happy about the whole thing, while borrowers are no longer complaining as they did. Our most recent experiences indicate that some large institutional lenders will have to reduce their sights somewhat or lose desirable commitments to other investors.

Price of Governments

The sharp rally that has taken place so far among U. S. Treasuries has brought about a correction in yield relationships. The tendency of short and intermediate maturities to exceed long term yields has been reversed and an extension of this more normal pattern should continue. In recent trips to the market the Treasury has shown renewed vigor in stretching out the maturity of the Federal debt. Presently the marketable debt coming due within one year, exclusive of bills, exceeds $48 billion, a fact which serves to illustrate the need for debt lengthening action. Actually the economic climate now is such as to make additional lengthening measures feasible. The Treasury's next opportunity is not too far away. It will come when it announces terms late in January (the 30th, according to present indications) of a $10.9 billion refunding which could grow to $15 billion if March and April maturities are included. Even though the atmosphere of the bond market to investors is favorable, issuance by the Treasury of a really long term bond could remove considerable buoyancy from the market action of outstanding long term Treasury issues.

The corporate bond market faces bright prospects over the immediate future despite the sharp increase in new offerings. Preferred stocks, particularly those of better quality are likely to meet with increased investor interest.

Despite the sharp pick-up in the number and total value of new offerings of bonds and preferred stocks scheduled to come into the market during the next few weeks, there is little likelihood that any material upturn of yields will be witnessed. It is possible that because of the relatively large amount of new issues, the latter will have to come at some concessions to current markets, but differences are unlikely to be as wide as some of the issues brought out prior to the reduction in the rediscount rate.

New Financing Scheduled

According to the most recently available figures, it is estimated that more than $500 million of new bond financing will be undertaken in the first quarter. Most of this will be concentrated in the first two months and does not include the $720 million of American Telephone & Telegraph convertible issue nor the $150 million World Bank offering. The latter is non-callable for 10 years and met with considerable demand from buyers who ordinarily might concentrate their funds in corporate issues. Likewise, while the American Telephone issue will be offered on a rights basis to stockholders, many institutions, as large shareholders, are expected to exercise their rights. Such funds too might ordinarily be considered available for investment in other corporate bonds. The bulk of the new corporate bond financing will come as the result of expansion programs by electric utility companies, two of the largest issues being those of Commonwealth Edison here in Chicago and Pacific Gas & Electric.

Because of the general uncertainty existing in the natural gas industry at the present time, particularly in regard to the pipe line companies, as the result of the so-called "Memphis Case" court ruling, there is some possibility that many of the pipe line bond financing undertakings will be postponed. One major pipe line company, Natural Gas Pipe Line of America, a subsidiary of Peoples Gas, Light & Coke, already has announced postponement of its proposed sale of bonds pending clarification of the present confused situation in the gas industry.

In addition to some $437 million of utility financing scheduled for the first quarter, at least two major industrial offerings are in prospect. West Virginia Pulp & Paper will offer $40 million of bonds around the middle of January and one of the larger credit companies is expected to bring out a $50 million issue some time during the month.

Non-Refundable Clauses

One of the most interesting points likely to develop in the new offerings will be whether or not inclusion of non-refundable provisions will be needed to make some of the scheduled offerings a success. Apart from the sharp rise in interest rates, and the subsequent decline following the reduction in the rediscount rate by the Federal Reserve banks, the past year was featured by the broad use of the non-refundable and, in some cases, non-callable provisions in new issues. When bond yields were at their highest levels, buyers were reluctant to purchase new offerings having relatively high coupons without some assurance that early call would not be undertaken when interest rates turned downward. Thus, many bonds contained a restriction against refunding for periods of upwards of four years —in some cases extending to 10 years or more. In a few isolated instances reversion to the old-style completely non-callable feature was necessary in order to attract buyers. Unless there is a radical change in the situation, there is the strong possibility that many of the forthcoming issues will be offered without either the non-refundable or the non-callable provision.

On balance, it would appear that the corporate bond market will show sustained strength with only modest variations in the yield structure during the periods of heaviest financing.

So far as preferred stocks are concerned, many investors now are turning their attention to this media. Yields from many of the better-quality preferred stocks still are around the levels obtainable from common stocks. With the economic uncertainties still being stressed from many quarters, and indications of declining money rates, buying interest in preferreds of good quality has been reawakened.

Probably a year ago a discussion of this nature would have been given over primarily to common stocks with but passing interest in fixed income securities. Common stocks for income, common stocks for appreciation and also as an attempt to protect to some extent at least the purchasing power of the dollar—in other words a form of hedge against inflation. We have already seen the competition for the income-seeking dollars from other forms of investment while the determined fight against inflation by monetary authorities, as well as strong statements by persons in high places in our Government to the effect that we are winning the fight, has tended to perhaps make many people less scary. The facts, to date at least, do not seem to bear this out.

The cost of living index has continued to rise. Labor contracts with escalator clauses add to the spiral. No one can seriously expect a labor union to use restraint — they are committed to get everything possible for their membership — and likewise there is little use in telling a corporation not to pass along higher costs to the consumers.

Other Considerations

The accomplishments of Russian scientists in the field of sputnik and mutniks served to point out dramatically the fact that we were running second best. Our pride was hurt. Bipartisan feeling ran high in the direction of a crash program to regain our position and with costs definitely secondary. Funds will be provided. The new budget, largest in peace time history, calls for $74 billion with national defense items using 64% of the total. The Rockefeller Committee says a realistic space age program would mean a progressive increase for this specific purpose of $3 billion annually for several years. ($3 bililon—$6 billion—$9 billion, etc.)

We are being told that the budget will be balanced, but it would appear that expected revenues are being blown up, while attempts to cut other civilian programs will run into difficulties in an election year and during a business recession. The debt limit will be raised. Deficit financing looms as an almost certainty. The recently announced UAW program for collective bargaining presents a new approach to employee profit sharing and has already been described by the industry as inflationary. Steel prices are slated for an increase at midyear when wage boosts under the three-year contract become effective. Further, I think it should be a generally accepted fact that over the longer term we can expect slowly creeping inflation.

We expect the level of business to continue on a comparatively high plateau, and what looks like a sound foundation is being laid for an eventual upturn, probably to be started by the consumer goods industry with capital goods to follow. This reasoning is based on the fact that many of the consumer goods industries have already been through a sort of rolling adjustment period and find themselves in a reasonably good position from the standpoint of inventory. This coupled with all-time record figures for disposable income and with the apparent willingness of individuals to spend to improve their standards of living seems to justify the belief that companies in this field can expect a good volume of business together with reasonable profits over the near to intermediate term. Obviously, such groups include retail trade, merchandising of various types, food chains, drugs, to name a few.

Selected Portfolio

From the longer range viewpoint we continue of the opinion that carefully selected growth stocks, equities in companies which appear well situated to participate in the future expansion of our economy and which may have the benefit of aggressive and progressive management supported by adequate research, have a definite position in the average fund. Those investors who already hold stocks in this category and who are distressed at seeing current prices considerably below recently establshed highs might consider several alternative programs. (1) If mentioned above it may well be held through what should prove to be an intermediary decline. (2) Present market conditions might offer an opportunity to upgrade present holdings while perhaps at the same time establish-

ing losses for tax purposes while reinvesting the proceeds within the same group.

Looking ahead for perhaps five years it is quite possible to paint a very optimistic picture for our economy. The real base for such optimism is in the population growth which can be fairly accurately charted. As a result of an unusually large number of births in the middle and late 1940's we will have a group of young people in their early and mid-twenties by 1962 or 1963 who will be at the right age to start new family formations. This means new homes and all the necessities that go into a home, even greater need for utilities, schools, in other words substantially increased demand for the better things in life. This probably would be accompanied by increased plant capacity to provide these things, higher wages, perhaps lower Federal taxes but somewhat higher local taxes—and don't forget the creeping inflation. What then is the answer and what should we tell our people who ask us for guidance? As far as I can see it doesn't change basically the philosophy of investment planning which our firm has been preaching for a number of years.

First, the individual should own his home outright — real estate values should increase. He should protect himself with a life insurance program, following that, and with some cash reserve for emergencies, he would do well to set up a program which would contemplate owning a small cross-section of American industry through outright acquisition of sound common stocks. In setting up such a program he should seek the advice of his banker, take advantage of the broad experience of individuals in the field of finance and the wealth of material available on the subject from these sources as well as from reputable investment firms.

We are far from being pessimistic. We appreciate that we are going through a period of what would seem to be necessary adjustment, we are on a relatively high plateau where business management seems to be consolidating its position so as to participate in a broad advance, which seems almost a certainty, over the longer term.

Readjustment Lengthy

In conclusion we have seen that the over-all figures for 1957 showed it to be a record year. Such indices as GNP, Personal Income, Consumers Spending and Construction rose to new peaks. As regards the latter we should not forget that rising prices probably offset any physical gains over the preceding year. Looking closer we find that the year was quite selective and that certain segments of industry had their own bear markets and distress periods. Now we are told that 1958 will surpass 1957. Again we believe it will be highly selective. True, Government spending will increase but it takes time to get these additional funds into the production stream. There are few, if any shortages. There are surpluses of basic commodities as well as surplus capacity. Pipe lines are well filled. Unquestionably inflationary implications of Government spending and deficit financing will have a psychological effect and should serve as supports for the stock market. However, it will take time to correct the imbalances of supply and demand which have been built up during recent years and it appears questionable that six months is a sufficient period in which to reestablish a sound basis for the upturn which we confidently expect over the longer term.

Public Utility Securities

By OWEN ELY

West Penn Electric Company

The electric properties now composing the West Penn Electric System had their beginnings as scattered electric street-car lines (later interurban lines) which led to the use of electricity by customers along the rights of way. Soon the electric power and light division outgrew the railways and the latter have now been practically all sold or abandoned.

West Penn Electric was formed in 1925 as part of American Water Works & Electric Company System, and when the latter was liquidated under the Holding Company Act in 1947, West Penn Electric's stock was distributed to holders of Water Works. In 1949 West Penn Electric recapitalized and completed its integration under the Act. Additional common stock was issued in 1951, 1952, 1953 and 1957. The stock was split 2-for-1 in 1955.

West Penn Electric is an integrated utility holding company serving areas in Pennsylvania, West Virginia and Maryland plus some small adjacent sections in Ohio and Virginia. The combined areas approximate 29,100 square miles with a population of 2,386,000. The 26 largest communities have populations ranging from 10,000 to over 40,000.

The territory has substantial amounts of bituminous coal, limestone, glass sand, natural gas, salt, timber and other natural resources. It also has navigable waterways and is heavily industrialized. Agricultural activities include fruit-growing, livestock and general farming.

The principal subsidiaries are West Penn Power (with a 4.8% minority stock held by the public), Monongahela Power and Potomac Edison. Revenues of the three companies (in the order named) approximate $77 million, $37 million and $27 million.

During the five years 1952 through 1956 the system construction program aggregated $171 million, while gross retirements were about $23 million. During that five-year period some 444,000 kw generating capacity was added, bringing the total up to 1,751,000 kw. Financing during the period included $34 million mortgage bonds and $21 million common stock. In 1957 sales of senior securities approximated $34 million, and common stock $13 million.

The company expects to add 240,000 kw this year, 165,000 kw in 1959, and 165,000 kw in 1960. Thus capability will be increased about one-third over the next two years, indicating the confidence of the management that electric demands in the area will continue to increase at a substantial rate.

The equity ratio as of Sept. 30, 1957, was 31%, the ratio having increased steadily from 16% in 1949. The last equity financing was in February, 1957, when 528,000 shares were offered on a rights basis, this amounting to a 1-for-16 basis. The construction program for 1958-60 will, it is estimated, require about $150 million of which about two-thirds is estimated to be available from cash on hand and to be generated internally, leaving $50 million to be raised, probably in 1959. It seems likely that this will include moderate equity financing, possibly in the ratio of 1-for-16.

As will be noted from the accompanying table, revenues have increased consistently in the postwar period despite irregularities in the output of heavy industries in the area. Share earnings have also shown steady gains with the exception of the setback in 1951. Dividends have increased in each year since the stock has been in the hands of the public, and the price of the stock has been in a general uptrend, excepting for the slight setback last year.

		Common Stock Record*		
Year	Revenues (Millions)	Share Earnings	Dividends Paid	Approximate Price - Range
1957 (Est.)	$140	$2.18	$1.50	28 – 24
1956	132	2.15	1.43	29 – 26
1955	127	2.06	1.28	29 – 23
1954	116	1.88	1.15	25 – 18
1953	115	1.72	1.10	19 – 16
1952	108	1.71	1.03	19 – 15
1951	100	1.49	1.00	15 – 14
1950	94	1.75	0.93	14 – 11
1949	86	1.66	0.76	13 – 7
1948	83	1.64	0.50	10 – 7
1947	73	1.54	**	**
1946	64	1.15	**	**

*Adjusted for 2-for-1 split in 1955.
**Stock not in hands of public.

Possibly investors have felt some apprehension, in the past, because of the substantial production of steel and coal in the West Penn area. But the company has substantial protection against loss of steel revenues during a depression because of demand charges in the rate schedule. In 1949, when steel operations averaged 12% lower than in 1948, share earnings increased 1%, and in 1954 they gained 9% despite a drop of 21% in steel operations. In 1958 it appears likely that another modest increase in share earnings will be registered despite the current sharp dip in steel operations.

In 1956 revenues from iron and steel approximated 25% and coal 21% of total industrial revenues, but the remaining 54% were well diversified including glass, chemicals, fabricated products and many other industries. Revenues from chemical plants have increased over 250% during the decade.

West Penn Electric recently recovered to 28, the 1957-8 range being 28¼-23½. Paying $1.50, the stock now yields 5.35%. The price-earnings ratio is 12.9.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

In spite of the second lowering of the discount rate by the Central Banks since the middle of November 1957, the latest available figures of the Federal Reserve System shows that the monetary authorities are still taking credit out of the money market. The $1 billion of credit which was put at the disposal of the member banks between Nov. 20, 1957 and the end of 1957 has now been taken out of the market by the Federal Reserve Banks. This is the first time in many years when successive cuts in the Central Bank rate has not brought with it important money and credit help from the Federal Reserve Banks. Seemingly, such a conflict of policy will have to be resolved in the near future.

The government bond market is waiting for the announcement of the impending $15 billion refunding operation and these terms should be made available today (Thursday) or tomorrow. Even though money market conditions continue to be favorable, this large Treasury undertaking has tended to limit the scope of the movements in government securities.

Stronger Credit Ease Measures Expected

The monetary authorities have been taking steps designed to augment the supply of credit and thus bring about a decline in interest rates. The reduction in the discount rate by most of the Federal Reserve Banks from 3% to 2¾% means that the demand for loanable funds is decreasing and the trend of business is still on the defensive. The decrease in the Central Bank rate is mainly psychological, but the program of the Federal Reserve banks has been such that a modest amount of reserves have been made available to the member institutions of the system. In other words, the negative reserve position of the commercial banks has been reversed, since there is now available a small amount of net free reserves. This has been a slow process so far but the indications point in the direction of more effective and positive action being taken in the not distant future.

Cut in Bank Reserves Believed Imminent

The reversal of the tight money policy by the monetary authorities has not been too bold so far but the time for more audacious action does not appear to be very far away, in the opinion of many money market specialists. This will take the form of lower reserve requirements of the member banks of the Federal Reserve System. For a long time there has been considrable opinion around that the deposit banks have been operating with too high reserve requirements. To be sure, reserve requirements were kept at present high levels because it was one of the measures which the powers that be had used in fighting the forces of inflation. For a time, at least, it looks as though the inflation spiral has been broken because the economy is on the down grade. Therefore, it does not appear as though the need is as great as it was to keep the member banks operating with such large reserve reouirements as when the inflationary pressures were going full blast.

More Bank Money to Be Available

With a decrease in the demand for credit, it was not unnatural that the loaning rates of commercial should be revised downward. The prime bank rate is the bellwether of the loaning rates and the reduction from 4½% to 4% means that, in time, all rates for borrowings will be lowered. If competition for loans should increase, and there is not an insignificant amount of opinion around that it will, then it is expected that more bank money will be finding an outlet in government securities. It is evident that the most liquid short-term issues will get the bulk of this buying. And, the way in which the return on Treasury bills has gone down appears to be proof enough that substantial funds are being invested in these and other riskless securities.

New Refunding Operation Eased

The reduction in the Central Bank rate means that the Treasury will be able to take care of its coming refunding and new money raising operation at better rates than would have been true if there had been no decrease in the discount rate. There appears to be the usual number of guesses in the financial district as to what issues will be used in the impending operation. There is a rather definite feeling around that a certificate and a note (even a short bond) will be part of the refunding picture. Whether there will be a long-term bond involved in this undertaking appears to be open to some variances of opinion. However, those who are looking for a decisive extension of maturities in this refunding venture are talking about a 3⅜% or a 3½% bond. The way in which a long-term bond, if any is offered, is received, may be a clue as to what will be done in the new money raising operation of the Treasury in the near future.

Chicago Inv. Analysts Schedule of Programs

CHICAGO, Ill.—The Investment Analysts Society of Chicago has announced the following schedule of programs:

January 30—Corn Products Refining Company, Mr. William T. Brady, President.

February 13 — Marquette Cement Company, Mr. W. A. Wecker, President.

February 20—Open.

February 27 — Dresser Industries, Mr. R. E. Reimer, Vice-Pres.

March 6—Open.

March 13—Allied Chemical & Dye Corporation, Mr. Glen B. Miller, President.

March 20—Inland Steel—Field Trip—Invitational.

March 27—Life Magazine, Study of consumer expenditures.

April 3—U. S. Rubber, Mr. John W. McGovern, President.

April 10—Anaconda Copper Co., Mr. Roy H. Glover, Chairman of the Board, or Mr. Clyde E. Weed, President.

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Including Common Stocks in Open Market Operations

inflation that took place since 1947.

In recent years, the expectation of creeping inflation led to stock buying as an inflation hedge. As a rule, stock market prices are determined by the forces of supply and demand, the level of current profits and future outlook, the growth in the net worth of corporations, general economic expectations and by what money earns in other financial investments. The rate of interest enters only indirectly insofar as it encourages investors to switch from one liquid asset to another. Naturally, the hope of an out-drawn period of appreciation and fear of inflation as well as the burden of the capital gains tax so far have restrained many people from switching. Better marketing of common stock by the appeal to people's capitalism, too, have encouraged a steady demand for this type of investment.

When we look at the net worth of corporations and their investment spending already paid for, over the last decade, the market value of common stocks currently running at $180 billion, does not seem to be out of line with the former. For example, total assets of corporations including net working capital and the book value of plant and equipment minus long-term debt, amount to $250 billion. Corporate expenditures on new plant and equipment alone amounted to $200 billion in the last decade. Business saving of corporations in the form of retained profits and depreciation allowances alone produced $200 billion and, thus, made possible to finance internally the entire outlay for growth.

Today's Choices

Considering the data just reviewed, there should exist a wide range of choices today of how to evaluate assets whether in the form of stock, bonds or other investment and to switch from one to the other keeping all market values fluid. However, the amount of common stock that is being kept permanently is steadily growing. Institutional investors, for example, are bound to hold on to these assets. Likewise, all those who bought stock for appreciation, and have not yet seen the realization of their hopes, will keep them. Stock speculators who are looking for a quick dollar naturally act differently. Margin requirements set at 70% have put much restraint on such transactions, however, and limited them to a small percentage of the total stock market.

In recent years, common stocks have changed hands to the amount of more than $20-$30 billion annually, equal to 6% of the Gross National Product. This small turnover indicates that profits or losses in the market must have played a relatively minor role for the economy and affected only moderately total private purchasing power.

The entire picture of this analysis indicates that under normal psychological conditions no panic is bound to occur that might reduce drastically the present market value of common stocks. While it is easy to sell them, the real problem is what to do with the money, what other sound and profitable investment outlets to find? Buying diamonds or real estate as hedge against inflation? In this case, holding of stocks appears to be equally good. And as a hedge against deflation? I suppose that the building up of savings accounts or the purchase of Federal bonds would appeal. There are risks involved in this hedging, too, with potential losses in income and capital dependent on the development of the interest rate and demands for stocks. Ultimately, inflation might still come and increase the real capital loss.

The rate of interest has a direct bearing on the value of bonds which, under a rising rate, decline as it happened in recent years. Should the rate decline from now on, additional losses from bonds would be unlikely, at least for a short period, and this might explain the rising demand for this investment instrument. In view of the continuous growth of business and individual saving which, if taken together, are not basically out of line with present private investment spending, we should not expect the rate of interest to move up still further.

In general, changes in the rate of interest have become a minor factor in influencing prices of common stocks relative to other economic or political trends at home or abroad. In the evaluation of stocks and bonds, a comparison with 1929 shows how much sounder the situation is today. Naturally, various government measures are contributing to the far greater economic and financial stability at present. I mention only the banking and investment laws that have created a strong financial and banking structure, measures that control and reduce speculation including margin requirements, farm price supports and other so-called automatic stabilizers. Even more important, the very large size of the Federal budget should be mentioned which provides a regular and very large portion of total effective demand.

From 1923 to 1929, common stock prices advanced by 320% against a growth in industrial output of 30%. Far worse, the number of employed and annual wage and salary payments increased over the entire period by only 5%. In the last decade the stock market advanced by 140% while industrial output gained 44%. However, wage and salary payments and similar incomes available for immediate consumption spending, advanced by 83%. In 1929, the market value of common stocks almost equalled the entire Gross National Product. Today, in spite of the far larger corporate structure, the market value of all stocks amounts to less than 40% of the Gross National Product.

The Break-Down in 1929

In 1929, the stock market served chiefly speculation. Broker loans, for example, rose to over $8 billion and amounted to 8% of the Gross National Product in 1929. A similar expansion of call loans today would amount to $35 billion. New security issues, too, were excessive and inflated and ran at an annual rate of $11 billion or one-eighth of the national income in 1929; this would correspond to over $45 billion new issues annually today. Under these circumstances, the first stage of the stock market crash in 1929 and 1930 should not have come as a real surprise. The inability of the entire economy, however, to recover subsequently was the tragedy of the thirties. A sound economy in 1929, though it could not have prevented a temporary break in the market, would have overcome the depression quickly. As it was, the crash triggered all negative forces inherent in the economy. Most important, people did not have enough regular incomes—outside of fancy speculative profits—to maintain the economy and to purchase all the goods it produced.

The break-down of the economy came from the demand side. Total wages and salary incomes, for example, amounted to $50 billion in 1929. In comparison, stock market operators actually lost—not paper losses—$15 billion in 1929 and a total of $50 billion by 1931 or the equivalent of all wage incomes in an entire year. To equal such losses, the stock market would have to lose $230 billion being the equivalent of all annual wages and salaries today. Such losses obviously would be impossible, even theoretically speaking, because this sum exceeds by $60 billion the current market value of all stocks.

Wage Income and Productivity

In spite of the insufficient level of wage incomes in 1929, the economy prospered as long as a very high level of exports of goods and capital, business profits, capital income and domestic investment in plant, equipment and housing could be maintained. Exports of goods and capital and domestic investment in particular provided a sufficiently large and profitable outlet for the very large individual and business saving of the era. When business profits, stock market gains and foreign demand dwindled or disappeared, domestic demand for consumption and investment dried up promptly.

Looking at the problem from the side of wages and productivity, the following situation arose. While productivity had increased by 50% in the twenties—in other words each worker produced 50% more goods per hour at the end of the decade against the beginning, he did not earn sufficient income to be able to purchase the additional output which he, so to speak, produced automatically. This destructive discrepancy between the rise in productivity and wages took place in the golden era of stable prices.

Today, wages and salaries, pensions and social aid payments make available sufficient regular income to keep consumer spending at an annual rate of $230 billion. The major part of production and services can be bought now with current earnings of employed people. Sales no longer depend greatly on fluctuating business profits, capital incomes, uncertain windfall profits or large-scale exports made possible by private foreign lending. For this reason, consumer demand remains praised as the stabilizer of the economy that on several occasions has balanced successfully weaknesses in other sectors of the economy. Wage pressures in the last decade, of course, have overdone the keeping-up of this major source of purchasing power and many wage rates have advanced beyond gains in productivity. While this meant some price rises, at least consumer spending can continue on a large scale and furnish the economy the most powerful stimulus for rising investment spending which remains the set screw for economic advance and growth.

Government spending, too, while to some extent painfully financed by taxes, is very important. Today, the Federal Government alone spends not much less than the total of private consumption and investment expenditures in 1929.

While the economy, thus, has become far more secure for steady, proper functioning, the stock market, too, has become far sounder. The number of persons using the market to get rich quickly, for example, has dwindled. If enough people hold on to stock they own as investment for income or appreciation or both, panic selling which has been the principal cause of serious market declines, will not occur. Nevertheless, in view of the tremendous importance of the stock market for the temper of the entire economy, at least over shorter periods, I would like to submit proposals to strengthen this anchor of the economy. The Federal Government, for many years now, has been operating a farm price support program that while still having many blemishes, has done the job. Food output has been increased and the farmer protected in a decent standard of living. In this way, the worst sore of the national economy in existence for over a century has been eliminated. I would like to have something similar done for the stock market, the importance of which for the economy is not less than that of the farmer. I do not ask for measures that will cost tax money either.

Wants Stocks Supported by Federal Reserve

The Federal Reserve, through Open Market buying, has given support to government bonds for over three decades. In the course of this intervention, it has accumulated $23 billion in bonds. At present, the Reserve does not hesitate to furnish so-called Federal Reserve credit to purchase bonds issued a longtime ago, needed for war financing and more or less a deadweight on the economy now. Why not extend Open Market operations to support the real, living economy that tomorrow will feed us better, build new factories, utilize research and new technology and create more jobs? The Congress of the United States should amend Federal Reserve legislation by permitting the Open Market Committee to buy and sell common stocks just like Federal bonds. We must not forget that the stand-by alone—even if not much used—would furnish the so desirable security and stability for the market it has been lacking all its life. In view of the relatively small annual turnover of the stock market, even small amounts of Federal Reserve buying or selling of stock would affect stock market prices and prevent excessive fluctuations up or down. Naturally, I do not suggest that the Reserve should underwrite stock market profits but a sufficiently judicious method could be found just to protect the market from really bad swings, nothing more.

To those who might object to this method as being too "socialistic," turning over "control of stock prices to the government." I would make this reply. They never would refuse support if offered by private banking groups. This used to be done in the past and the House of Morgan, for example, remains famous for attempts, some successful, to stem financial panics. Today, the market is too big for any one individual or private organization to do the job. Only the Federal Reserve could do it successfully which, by the way, is not the government. Its decisions, made by the Board of Governors, are independent of government. They are made by experienced and astute businessmen who have the benefit of the entire American economy and nothing else in their minds. They should be considered a capable match for market speculators or mass hysteria in case of panic. An accumulation of common stock by the Federal Reserve would be as little socialism as the present ownership of $23 billion bonds by the system.

The argument that an extension of Open Market buying and selling to common stock would be "inflationary" or that the Reserve System does not have the money to finance such operations, is not convincing. Buying of stocks would come into operation only to stem the tide of deflation and, thus, could not cause inflation. So far as the ability of the system is concerned to finance Open Market purchases, it has purchased $23 billion bonds legitimately and soundly in order to serve the private banking system, the public and economy as a whole in their money and credit needs. Why should we assume that the System will fail to administer equally well stock buying and selling? After all, such purchases would give the system more than debt-repayment promises; like anybody else, the system, by buying stock, will acquire a stake in the American economy including corporate assets and income.

Prevent a Depression

In view of the enormous impact of the stock market on the total economy, promoting growth and stability, even if predominantly psychological in nature — though real enough in its consequences—the inclusion of stock buying for the Federal System would become the most important step to prevent a depression once and for all. I do not have to emphasize that this measure, more than any other economic device, would hurt Soviet Russia and the Communist group. This is my message.

Short Run Outlook

For the coming year, I foresee a slowing down of consumer price rises and a slightly growing Gross National Product. While industrial output is still stagnant, perhaps waiting for a clearing of inventories, demand for services is rising. I also expect a cheapening of the cost of money and moderately declining commodity prices. For these reasons, stock and bond prices should not move spectacularly upward nor should they, however, be faced by sharp declines.

While the development of the stock market will remain one of the important barometers, not necessarily of economic long-term trends but of what people feel about economic forces in the near future, there is far more to our economy in view of its vastness, ability to advance fast and productivity. In our contest with Soviet Russia, there is also more than our economic strength. In concluding with the words of Dr. Adenauer, used in his inauguration address last October, "The purpose of life is not an ever increasing standard of living and growing luxury, or a scramble after money and material pleasure. Man, his spiritual worth, his health and his family come first." To protect these values is our purpose and our dedication.

Retires From Board

Charles Allen, Jr., Chairman of the Board of Campbell Chibougamau Mines Ltd. (American and Toronto Stock Exchanges), has resigned from the board due to the press of other interests, it is announced.

Charles W. Clark, President, said the resignation of Mr. Allen was "accepted with many expressions of regret and of appreciation for the valuable contributions" made during Mr. Allen's tenure as Chairman.

Mr. Allen is the founder and senior partner of Allen & Company, 30 Broad Street, New York.

Mr. Clark noted that Mr. Allen's offer to act as an adviser to Campbell Chibougamau will be accepted and his services will be utilized as circumstances dictate. No successor as Chairman has been designated.

With Sutro & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — George W. Guppy has become connected with Sutro & Co., 460 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

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The Role of Monetary Policy

also has the power to raise and lower reserve requirements, thus acting directly on the excess reserves of the banking system. Such powers were used when large increases in reserves were brought about through the inflow of gold. They were also used when the Government was a heavy borrower, aided by the credit operations of the monetary authorities. Under these conditions, the change in reserve requirements limits the secondary expansion of credit to business. Because they enable the monetary authorities to act promptly, without intervening in the market, variable reserve requirements can be useful in emergency situations. The incidence on different banks is too unequal to justify its use in ordinary circumstances.

The purpose of selective credit controls is to enable the monetary authorities to restrict credit in the inflated sectors without imposing an equivalent degree of restriction in other sectors of the economy. Many business borrowers have more than one purpose for which they use their own resources and borrowed funds. Such borrowers can avoid the controls by arbitrarily assigning their loans to the unselected, rather than the selected, fields of credit restriction. Selective credit controls are more successful, however, in restraining non-business borrowers — consumer credit, mortgage credit, and stock market credit. To the extent that selective credit controls are effective, they lower the rate of interest at which the desired aggregate restriction of credit will be attained.

One consequence of reducing the availability of credit is a rise in interest rates. A high rate of interest will restrict the demand for credit because it raises gross investment cost relative to gross investment yield. As other important factors enter into computations of gross investment cost and gross investment yield, the elasticity of demand for credit with respect to interest rates may not be high at certain times. Even so, if the rate of interest in the capital market rises above the level that is expected to prevail in the relatively near future, some borrowers may be induced to put off the issue of new securities until the interest rate has declined to a lower level.

The effectiveness of monetary policy requires the maintenance of contiguity of the money supply with the needs of the economy. When the money supply is excessive, the monetary authorities may be able to slow down inflation, but they cannot stop it; and once expectations of inflation have become widespread, the making of monetary policy becomes much more difficult. Under such conditions, the public may increase expenditure in anticipation of a further rise in prices; and borrowers may hasten their borrowing in anticipation of a further increase in interest rates. The response to monetary measures depends in large part on confidence that the monetary authorities will succeed in their objectives.

The Timing of Monetary Policy

A growing economy requires a growing money supply. In a monetary system in which banks hold fractional reserves, there must be a sufficient expansion of the monetary base to enable the banking system to provide additional bank credit. To the extent that the increase in the monetary base is not met by the accumulation of gold and foreign exchange reserves by the monetary authorities, it will have to be provided through the expansion of reserve credit. Because production grows unevenly, the addition to the money supply must be provided in such a way as not to intensify the fluctuations in production or the rise and fall of prices that may accompany the business cycle.

To a certain extent, the money supply tends to adjust itself to changes in economic conditions. For this reason, the induced changes in the money supply, initiated by the monetary authorities, do not ordinarily have to be large. Thus, during a period of expansion, the increase in output and the rise in wages and prices will tend to limit the amount of credit that the banking system can provide without additional resources from the monetary authorities. If the expansion is accompanied by a balance of payments deficit, there will be a further limitation on the increase of credit. Under ideal conditions, the capacity of the banking system to expand credit would be exhausted when the increase of production has reached its cyclical peak and before there is an inflationary rise in prices.

The availability of bank credit should follow a cyclical pattern. At the beginning of recovery, the banking system should be able to create sufficient credit to encourage the expansion of investment and production. As the expansion proceeds, the monetary authorities may have to provide additional reserves to enable the economy to continue to respond to increased production. On the other hand, if easy credit is inducing an inflationary rise in prices, the monetary authorities may have to take active steps to reduce and not merely to restrict credit. After the period of expansion has come to an end, and output declines and prices fall, the monetary authorities should once more begin to add to the monetary base in order to encourage recovery and to facilitate the next period of expansion in production.

Within this general cyclical pattern, there are difficult problems of timing monetary policy. The inflationary rise in prices may begin in some sectors of the economy while there are still unused resources in others. If the monetary authorities could not restrain the expansion of credit until all the productive resources are employed, a very considerable inflation might emerge before the full employment objective is achieved. Although the failure to employ all the productive resources of the country implies some measure of waste, it is also true that inflation involves waste through distortion in production, distribution, and use of the national product. While it is not desirable to choke off bank credit on the first signs of full employment in some sectors, it is a mistake to tolerate inflation in order to offset the immobility of some productive resources.

Similarly, when production is beginning to turn down, a rapid easing of credit could undoubtedly have some effect in prolonging the expansion. The forces that induce cyclical fluctuations are not all monetary in character, although they are obviously affected by monetary policy. It would be an exaggeration to say that a contraction can be avoided merely through an easier credit policy. The change in credit policy from one of restriction to one of active ease should be for the purpose of facilitating the ensuing recovery rather than prolonging the boom. For this reason a change in policy is not called for at the first sign of the termination of the expansion, but only after the danger of inflation has passed away.

It is not desirable to flood the economy with bank credit during a recession. If the money supply is increased too much in a period of unemployment, it will be necessary to contract credit during the recovery. A completely elastic money supply, expanding and contracting with business activity, would intensify business fluctuations. On the other hand, it is impractical for the monetary authorities to induce large contracyclical changes in the money supply. The better policy would be to time the additions to the money supply in a manner that facilitates recovery and expansion while avoiding inflation.

Control of Monetary Policy

In recent years, all governments have found it necessary to attach great importance to economic objectives. This is true not only in the low-income countries, where economic development is the principal concern of governments, but also in the high-income countries, where the public is insistent on maintaining high levels of employment and rising standards of living. The Employment Act of 1946 declares it to be the policy of the Federal Government, subject to some qualification, to use all practical means "to promote maximum employment, production, and purchasing power." As monetary policy is one of the most important means of attaining the objectives of this Act, the administration and the Congress, as a practical matter, must assert their interest in monetary policy.[11]

A sound monetary policy is an essential part of a comprehensive economic program to encourage economic growth and the best use of the productive resources of the country. An intelligent monetary policy cannot be directed to lesser objectives, such as cheap financing of the public debt. On the other hand, it is impossible to make intelligent monetary policy without considering the present and prospective level of production and employment, the state of the budget, the amount of public expenditure and taxes, and the management of the public debt. Unless the government itself pursues appropriate policies, the monetary authorities cannot make monetary policy effective.

When the problems that confront the economy are the mild fluctuations of a cyclical character, monetary policy is likely to be adequate for preventing the emergence of inflation or deflation. A tight monetary policy, exerted with greater pressure as the expansion begins to manifest itself in a rise of prices rather than an increase of production, will generally be sufficient to stop the inflation. And an easy monetary policy, designed to provide adequate credit to enable the economy to undertake more investment after a period of contraction, will generally be sufficient to encourage recovery. In any event, the automatic contra-cyclical behavior of government finance and the social security system will add somewhat to the effectiveness of monetary policy.

On the other hand, if an excessive aggregate demand is being fed by government expenditure, financed by bank credit, it is futile to think that the monetary authorities can hold the inflation in check by restricting credit to business. The only way to stop the inflation may be to increase taxes, reduce the government's spending, and limit its reliance on bank credit. Similarly, if the decline in aggregate demand has proceeded very far, the monetary authorities can do little to induce an expansion of investment through easy credit and low interest rates. Instead, it will be necessary to increase government expenditure until consumption and investment have recovered enough to make the economy responsive to such monetary measures. To insist that monetary policy is the sole concern of the monetary authorities is to imply that monetary policy is always sufficient to deal with the problems of inflation and deflation.

There is no necessary conflict between an administration concerned to maintain high levels of production and employment and the monetary authorities concerned to maintain monetary stability. The essential point is to have good working relations between the Federal Reserve System, the Treasury, and the Council of Economic Advisers. It is not reprehensible for the Treasury and the Council of Economic Advisers to express their opinion on the measures that should be taken by the monetary authorities.[12] Having heard these views, it would be expected that the Federal Reserve would proceed with a monetary policy which in its judgment would be suited to the economic situation. To say that the Federal Reserve should give full weight to the views of the administration is in no sense to make it subordinate to any other agency of the government.

APPENDIX A

Money Supply of the United States, 1928-57*

(June 30th of the year)

Year	Billions	Year	Billions
1928---	$25.9	1943---	$71.9
1929---	26.2	1944---	80.9
1930---	25.1	1945---	94.2
1931---	23.5	1946---	106.0
1932---	20.2	1947---	108.5
1933---	19.2	1948---	108.3
1934---	21.4	1949---	107.1
1935---	25.2	1950---	110.2
1936---	29.0	1951---	114.7
1937---	30.7	1952---	121.2
1938---	29.7	1953---	124.3
1939---	33.4	1954---	125.2
1940---	38.7	1955---	130.6
1941---	45.5	1956---	133.0
1942---	52.8	1957---	133.3

*Demand deposits adjusted and currency in circulation outside banks.

SOURCES: "Banking and Monetary Statistics," Board of Governors, Washington, 1943, pp. 34-35; and "Federal Reserve Bulletin."

11 The view that the Employment Act of 1946 hampers an effective monetary policy is not tenable. There is nothing in the Act inconsistent with the view that stability of prices is a proper objective of monetary policy. It is worth noting, however, that in the 1920's the Federal Reserve Board and the Federal Reserve Bank of New York opposed the Strong Bill whose title read as follows: "A Bill to amend the act approved Dec. 23, 1913, known as the Federal Reserve Act; to define certain policies toward which the powers of the Federal Reserve system shall be directed; to further promote the maintenance of a stable gold standard; to promote the stability of commerce, industry, agriculture and employment; and to assist in realizing a more stable purchasing power of the dollar, and for other purposes." The testimony on this bill is reported in *Stabilization Hearings*, Government Printing Office, Washington, 1929.

12 Nor is there any good reason why the Board of Governors of the Federal Reserve System should hesitate to express its opinion on the fiscal policy of the government and its management of the public debt.

Joins Walston Staff

(Special to THE FINANCIAL CHRONICLE)

BAKERSFIELD, Calif.—Lon S. Garrett is now affiliated with Walston & Co., Inc., 1704 Chester Avenue. He was formerly with First California Company.

With Alm, Kane, Rogers

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Norman C. Goary has become associated with Alm, Kane, Rogers & Co., 39 South La Salle Street.

With C. F. Childs Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Daniel F. Sullivan, Jr. has become associated with C. F. Childs and Company, 141 West Jackson Boulevard. He was previously with Baxter & Company.

Joins Witherspoon Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — James L. Elliott has become connected with Witherspoon & Company, Inc., 215 West Seventh Street.

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News About Banks & Bankers

Office, began his career with Bank of America in 1918.

His appointment to the Sacramento Main Office marks the third major branch of the bank that Sage has been selected to manage. His career has also included important senior administration assignments at the bank's head office in San Francisco.

* * *

Toward the end of 1957 resources of **Bank of Montreal** passed the $3,000,000,000 mark for the first time in the bank's history.

On Dec. 31 total assets stood at $3,062,000,000, it was reported in the bank's monthly return to the Minister of Finance. A year earlier total assets were $2,910,000,000.

* * *

Appointment of J. R. Peet as Supervisor of Branches in Venezuela with headquarters in Caracas, was announced by **The Royal Bank of Canada, Montreal, Canada.** This is a new post, created because of the growing importance of the Royal Bank's operations in Venezuela.

Formerly Resident Inspector in Venezuela and Manager of the Caracas Branch, Mr. Peet has had many years experience in South America, including service with the bank's branches in Argentina and Uruguay.

* * *

The directors of **Midland Bank Limited, London, Eng.,** announce with regret that after 38 years as a director Sir H. Cassie Holden, Ba., has resigned from the board of the bank and that of Midland Bank Executor & Trustee Company Limited. Sir Cassie was a Deputy Chairman from 1948 to 1955.

Federal Land Banks Offer 3⅜%-3½% Bds.

The twelve Federal Land Banks offered publicly on January 29 $83,000,000 of 3⅜% bonds, due April 3, 1961, and $83,000,000 of 3½% bonds, due April 1, 1970. The 3⅜s of 1961 are being offered at 100⅛%, and the 3½s of 1970 at 99¾%. These new consolidated bonds will be dated Feb. 14, 1958.

The offering is being made through the banks' fiscal agent, John T. Knox, 130 William St., New York City, with the assistance of a nationwide dealer and banker group. Proceeds will be used to redeem $140,000,000 of 3⅞% bonds maturing Feb. 14, 1958, to repay borrowings from commercial banks, and for lending operations.

The Federal Land Banks make long-term loans to farmers through 1,000 national farm loan associations on the security of first mortgages. The local associations are owned entirely by farmers. The associations in turn own all of the stock of the Federal Land Banks. Farmers have about $113,000,000 invested in the banks. The banks have accumulated reserves and surplus of $270,000,000.

Joins Mason Brothers

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif.—Frederick C. Dorr has become connected with Mason Brothers, Bank of America Building. He was formerly with Schwabacher & Co.

Joins Elworthy Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John G. Bunnell has joined the staff of Elworthy & Co., 111 Sutter Street.

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The Investment Specialist In an Era of Specialists

pension funds were divided as follows with respect to their investment portfolios.

Cash and Deposits	2%
U. S. Government Securities	14
Corporation Bonds	52
Preferred Stock	3
Common Stock	23
Other Assets	6
	100%

To some extent this analysis understates the significance of common stock investment, since it does not take account of market values. If it did, common stocks would have represented not 23% but 32% of these combined portfolios. This represents a considerable change in policy as compared with ten years ago when it was fairly unusual for pensions funds to be invested in equities. The basic explanation for the change to an increasing emphasis on common stock investment is twofold: one, the recognition that, over a period of time, well selected common stocks eventually build up value, even if they fluctuate in the meanwhile; two, they are viewed as a possible hedge against inflation.

Funds and Inflation

I regret to say it, but I think it is nevertheless true, "Inflation" is here to stay—at least for the foreseeable future. The efforts of the Federal Reserve Bank and other agencies of the Government now at work on this problem will only interrupt the trend, not stop it. The recent decline in stock prices should not confuse anyone. The debacle of 1929-1932, when there occurred the worst drop in stock prices the country has yet seen, did not prevent inflation, although it interrupted it with a big jolt for a period of time. The pressure asserted upon the Government for many social projects to maintain our present high standard of living is enormous, and probably cannot be resisted by any administration. With that fact as a background, we must then ask how we can be sure of attaining the ultimate purpose of the pension fund. Since it was established to provide retirement income for employees — income which is supposed, over a period of time to keep pace with major changes in the cost of living—then obviously enough of the assets of the pension fund ought to be invested in securities which will respond in value to the major swings of the economy and of the price level.

However, it is too naive an assumption that common stocks will, in every case, provide that necessary hedge against inflation. They can indeed help fulfill that function, but, to do so, they must be wisely selected for that purpose. There are stocks which pay a steady diivdend, but which participate very little in major price changes; they act more like bonds than true equity investments. On the other hand, there are stocks representing expanding segments of business which are likely to outpace the economy generally.

Courageous Equities Policy

Investment in common stocks cannot, however, be undertaken without full recognition of what is involved by those who are ultimately responsible for the administration of the plan. Common stocks fluctuate. If the trustees responsible for a pension fund are willing to buy them only while the market is rising, but are discouraged or frightened away when prices are low or declining, then investment in common stocks is inadvisable for them. If they lack the capacity to stand by a policy of purchase over a period of time, it will mean that their experience will be unhappy in the long run. They will find that they have made purchases only when prices were high, and have failed to take advantage of prices when they were relatively low, and this can only spell disaster.

There is another reason why trustees should carefully weigh the risks involved in the purchase of common stocks for a pension fund. Since prices at some time will decline, it is entirely possible for uninformed persons to criticize the trustees on the ground that "money has been lost." The trustees should evaluate realistically whether they are prepared to stand by their policy despite the possibility of criticism from persons who are less knowledgeable. In other words, it is always possible for an investment in common stocks to be made into a political football, but if this danger is recognized and can be disregarded by the trustees, then they are psychologically in a better position to engage upon a program of investment in common stocks.

What Is Conservative Policy?

From these comments, pension fund trustees may well ask themselves the question: What is a conservative policy? Is it "conservative" to buy exclusively fixed-dollar investments which may shrink in purchasing power under the pressure of continuing long-term inflation? Is it "conservative" to take the hard-earned dollars which are today set aside in pension funds and invest them in securities which will provide less in terms of purchasing power for pensioners in the future? Or, on the other hand, is it not more "conservative" to invest a sufficient percentage of pension trust funds in those forms of securities which will keep pace with changes in the economy, in the price level, and in the cost of living, so that pensioners may be protected, not with respect to the dollars which are paid to them, but more realistically, with respect to the purchasing power which, ultimately, they have to depend upon for their security in the years of retirement?

The more one considers this problem, the more one comes to the conclusion that the only way in which pension fund trustees can properly discharge their obligation for providing and sustaining retirement income for the beneficiaries, is to make the wisest choice of a balanced portfolio among the several classes of investments, and to make sure that the portfolio is at all times supervised and well-managed.

Investment Management's Task

What does investment management involve? To be effective to the maximum degree, it should not only be **competent**, but also **continuous, personal** and **unbiased.**

The question of **competence** is one which the trustees of each pension fund will have to decide for themselves. If they are well informed about securities and can devote sufficient time to the management of the fund, then this factor has been satisfactorily disposed of. However, since many trustees are representatives of either labor or employers, it would be rather unusual for them to be investment specialists as well. Furthermore, there is uncertainty as to whether they can devote adequate time to supervising the fund's investments. If this condition exists, then the obvious solution is to retain professional investment advisers. Choosing securities appropriate to a particular pension fund is not as simple as it would appear. It is a full-time task calling for the services of an expert. Another reason for retaining professional advisers is that trustees have their own occupations, which normally demand their full attention. Consequently, who is going to be the motivating factor in the management of a pension fund? What is everyone's job, is no one's job. A professional adviser, who is paid for his services, will take the initiative not only in making recommendations but, more importantly, in seeing that they are acted upon. In other words, his leadership will give direction to the investment program.

Investment management has to be **continuous.** A portfolio cannot be successfully managed simply by taking an occasional look at it. It has to be lived with. So much can happen between periodic reviews that reliance upon such practice would be highly dangerous. One would not buy a security which does not appear to have favorable prospects at the time of purchase, but industry conditions and the management of a company can both change rather quickly, so that it is necessary to keep constantly vigilant, or serious losses could result. You cannot buy stocks, lock them up in a safe deposit box, and then blithely forget about them.

When we speak of **personal** attention by investment management, we mean that investment policy must take account of the specific requirements of each pension plan. It is necessary to appraise the extent to which the plan should hold securities which act as a hedge against inflation; what the schedule of liquidity requirements may be; whether the plan is contributory or non-contributory; and what the stability of future contributions is apt to be. These are some of the problems with which trustees are faced and which they might find difficult to solve. If they find it necessary, in the best interest of fund management, to retain outside experts, then they should assure themselves that such investment advice is not just an automatic application of a uniform policy covering any number of different pension plans. The investment policy should logically develop from the terms and objective of the plan itself.

The final and most important factor in investment management is that it be impartial or that it derive its advice from an **unbiased** source. There should be no conflict in interest between an adviser and his client; otherwise, how can he faithfully perform his duty? Self-interest can prejudice a decision and those advisers whose principal income comes from activities other than counseling on investments are often in the difficult position of deciding what is best for their clients and what is best for themselves. Undoubtedly, men of integrity will strive to surmount the dilemma of divided interest, but can they overcome the influence of their subconscious bias?

I have called your attention to the billions of dollars invested in self-insured pension fund plans; I have indicated some of the investment problems with which the trustees of these plans are confronted; I have suggested a possible solution to these problems through the retention of professional advisers; and finally, I have outlined the qualifications which such advisers should possess.

Preventing Losses

The abuses which have crept into the handling of pension funds have been so thoroughly aired in the public press that it could contribute little to dwell upon them here. But, have you ever given thought to the less obvious but possibly greater losses that occur in pension funds, not through any improper acts if the trustees, but rather through lack of skill and experience in managing the assets? There is grave responsibility placed upon trustees which many have not fully met, possibly because they are fearful of making errors in investment. This timidity, often resulting from lack of knowledge of a highly specialized and technical subject, is costing pensioners considerable sums today with the likelihood that such losses will continue with the years.

This is a problem which falls directly upon the shoulders of trustees but it is far more reaching than that because it affects the corporations which set up the pension funds and the employees which are the beneficiaries. It will be of little satisfaction to the companies which, in a spirit of enlightened management, have contributed huge amounts of money if they find that years later their officers and employees have not profited to the extent planned for them. It will be of no more satisfaction to union leaders if the benefits they obtained at the collective bargaining table fail to achieve for their members the advantages which were contemplated at the time a pension fund was set up. The money which has gone into pension funds will not produce the good will that it should if investment programs fall short of their objectives.

The importance of sound investment policy and the programs needed to implement it have been the subject of this discussion and I sincerely hope that the comments and suggestions offered will be helpful to those charged with this vital trust in keeping with the best interests of American industry, American labor and the nation as a whole.

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Private Credit Will Continue To Spark Our Nation's Progress

and other facilities. Moreover, this increased rate of investment by people and business in construction was supplemented by another $12 billion expansion of spending for durable production equipment to turn out goods in larger quantity and more efficiently.

While the private sector was thus absorbing the major share of the $122 billion growth in current personal consumption and individual and business investment, government was absorbing the remaining $33 billion, or almost one-third of the total. The Federal Government accounted for $17 billion, of which $11 billion represented purchases for national security purposes. The remaining $16 billion was accounted for by state and local governments, which provide so many essential services to their communities.

This is a brief picture of the progress we have made as a consumption economy. I believe it tells the story of the fundamental motivation of our economy and its people. World War II gave rise to the slogan, "Guns **or** Butter." We learned later that we could have "Guns **and** Butter," even if temporarily we had to be content with not as much butter as we would have liked. I doubt whether today in Russia there could be a slogan "Satellites **and** Caviar," or even "Satellites **or** Caviar." The order of the day there is "Satellites," and "Satellites" it must be.

Yet, we obviously cannot go our own way and watch the Soviet go theirs. The Satellite is really a symbol of scientific accomplishment in a field by which our very existence is threatened. Our preoccupation with the standard of living—humanitarian and correct as it may be — would be worthless if we were to be faced with extinction through push-button warfare in the future. Thus, security is a cost we have to bear for protecting the very things we hold so precious to our way of life. That is "old hat," but ever so often the American people have to be roused out of their slumbers of complacency.

Dynamic Credit Mechanism

We should never overlook the fact that a dynamic credit mechanism is one of the most powerful forces in our system of capitalism, which relies on the rewards of savings and investment to make life more worth living. Again, let me review the postwar decade 1946-1956 to show how our dynamic credit system has sparked the private enterprise economy.

The total debt of American economy held by others than the issuers showed a net growth of $287 billion. The private sector—businesses and individuals — accounted for $262 billion. State and local governments contributed $29 billion to the rise. The Federal Government, on the other hand, showed a decline of $4 billion, as part of its debt was transferred from the public to its own trust and investment accounts.

The banking fraternity and other lenders, operating in the framework of monetary policy promulgated by Federal Reserve authorities, have exercised a tremendous responsibility toward the use of credit in the economic development of our so-called free markets, which today are again being put to the test.

The record is clearly one of serving the needs and desires of private enterprise and personal consumption and investment. If we analyze the $262 billion growth in private debt between 1946 and 1956, we find that corporations—large and small—accounted for only $115 billion. Individuals and noncorporate business, including farmers, showed an increase of $147 billion, of which $34 billion was for current consumer purchases and $89 billion for mortgages—mostly on private homes.

While these, like all other dollar figures for the postwar period, have a significant element of price inflation in them, they nevertheless tell a story of serving human needs—a story the likes of which could not be told in the Soviet Union, and a story which our friends in other parts are eager to learn as a lesson in economic progress for the individual.

One need go no further than housing and automobiles for an illustration of the tremendous impact exerted through our private credit markets. These two key elements of our economy go hand in hand with our national attitude toward personal consumption and investment. The contribution they made to the recovery from the 1954 recession is still fresh in mind, and they are always in the front ranks of any discussion of general business prospects.

Credit Controls

It was not very long ago that some groups were calling for regulation of consumer and real estate mortgage credit. They argued that these areas of credit were not responsive to general controls exercised through the market place. Today, as we have just emerged from a period of increasing credit restaint, we know that the argument was not valid, and that the ones who cried the loudest were frequently those affected by a reduction in the availability of kinds of credit that

were said to be uncontrollable without direct government intervention.

Now, faced with the specter of missile warfare and "satellite psychology," we should recognize that if our economic and social system is to survive, we must make sure that the desire of our people for a higher standard of living, nurtured partly through use of credit, is properly balanced against what we need to survive in the struggle against Communism. If two automobiles for the family, better homes, and so on have to give way to the exigencies of national security, I am convinced that the American people will see it through. But it is important — I believe — that they understand what is necessary for them to do. They have to be told clearly and convincingly what the requisites of national security are, and the importance for getting them accomplished in the new environment created by the satellite age.

There are some who contend that we need not sacrifice anything to meet all our needs and desires for both security and a better way of life. They point to excess capacity in some industries as evidence. Yet it is abundantly clear that our people have not been willing to bear the cost of some of the things that are considered vital. No better example could be given, in the light of current discussions concerning the Soviet scientific breakthrough, than the problem of education.

There is a crying need for the updating of our nation's educational plant, but there is great reluctance to bear the tax burden required to get the job done. The people want the new homes our growing suburbs have to offer; but they do not always want to pay for the new schools these communities require, or to provide attractive salaries for their teachers. They want shiny new automobiles in which to travel to and from these homes, but they do not want to bear the cost of the roads that will make the travel safe and efficient. Instead, too many of them would rather pass the burden of such costs over to the Federal Government on the premise that someone else can pay the bill.

I have great faith in our democratic processes, because I am sure that in the long run if our people understand what is required, they will rise to the occasion. They will not permit decisions to be made for them by government fiat, but will balance their desire for still higher living standards with the needs of a Free World for survival.

Fiscal Sanity

In the coming months, there will be great temptation for many groups to use the present emergency as an excuse for waste. Government spending will be sought on the ground that it is needed in the name of national security. The importance of a balanced federal budget will be forgotten by many. Some will seek tax reductions despite rising expenditures.

Because of these threats, I believe that it is important for us as bankers to exert our own influence to help see that government credit is used judiciously and in the long-run interests of our people. We should help to carry forward the message of fiscal sanity to the people. We should help them to understand that Vanguards and the successful rockets and satellites that are sure to come are costly. They cannot be paid for by bookkeeping entries on the ledgers of a commissar of finance, but by the work and — if needed—the sacrifice of the people.

It would be foolish indeed to hope and believe that we can pay for such implements of survival through renewed inflation. Those who contend that we were able to finance Worlld War II by borrowing and have survived very well, indeed, should be reminded that the world has since tasted modern inflation, and the cards are stacked against any one who believes that it can work as an instrument of national policy. The present-day economic mind of the average person is too "sharp" for that. As I indicated at the outset, we rely in our system upon market forces, in which men and their institutions are given a broad range for individual decision. Those forces would be quick to react in a new burst of inflation if the impression were to become widespread that the costs of satellites, missiles, and whatever comes next were to be met by extended deficit financing. The argument that such forces could be contained by a resumption of direct controls is fallacious, because past history has demonstrated that in the long run they do not extinguish inflationary fires but merely temporarily damp them down.

It is necessary for us, therefore, to explore the alternatives to any such course. They are: first, a redefinition of what constitutes the essentials of an effective and realistic national security program; second, what ordinary expenditures not related to our survival can be eliminated or deferred as long as an emergency in the national security area exists; third what tax burden should be imposed to pay for whatever expenditures are decided upon; and fourth, how much of a deficit—if any—can be tolerated temporarily without kindling a new and serious fire of inflation. These are the questions that must be faced on the fiscal scene, and they must be answered realistically.

Yet, the fiscal problem is only one facet of the challenge as I visualize it. The balancing of our individual desires against national needs for security obviously brings into focus the responsibility of the lending community for seeing that private credit is used wisely in the interests of not merely our growth, but also our very survival.

I have already outlined the broad area over which, in the postwar period, private credit has been generated to serve the requirements of rising consumption and personal and business investment. At times, private deficit financing has appeared about ready to get out of hand, but a wise policy of restraint — especially in the most recent years—has been an essential and constructive balancing influence. For the most part, lenders—including the banking fraternity — have given intelligent support to Federal Reserve efforts to exercise a flexible policy which has called for restraint most of the time, but which, as in the past few weeks, has constantly been adjusted to the existing economic environment.

Democracy of Credit

The lending community has been allowed to function in the broad environment of the market place for credit. No commissar has dictated who should get credit and who should be denied it. At the same time that national security programs as determined by our leaders have been administered by government, the private sector has run with throttle wide open to satisfy the demands of the markets created by a growing population. Credit has been of the most important ingredients in the fuel that has powered this economic machine.

Bankers have an important responsibility — which they share with the monetary authorities and other lenders — to see that our basic concept of democracy of credit in the market place is preserved. Democracy of credit will be preserved only if we and our counterparts in other sectors of the financial system exercise the kind of judgment which will strengthen the contribution that credit can make to our nation's economic progress.

Bankers should review decisions that aid progress, or impair it. Will they be the kind of decisions which demonstrate that our economic system can continue, as in the past, to prove its basic superiority over a system that looks upon the individual as a machine, not a personality? Will those decisions help to tell the rest of the world that we can continue to have both scientific advancement and benefits that its application can give to human betterment, instead of destruction?

The modern concept of bank lending is and must continue to be one of resourcefulness. It hardly need be repeated that the loan portfolios of banks have changed markedly in recent years. This is a reflection of the competitive drive of the private consumption economy I described earlier. The change has taken place in large banks, as well as small country institutions like my own. Resourceful lending has meant exploration of new areas of credit, new techniques, and better understanding of the financial problems of business, farmers, and individuals. It has not meant the toleration of unsound credit.

For the most part, the banking fraternity has been free to decide the basis upon which such resourceful lending should be conducted within the environment developed by monetary policy. It is my firm opinion, moreover, that its accomplishments have been great. It has made a vital contribution to the production and distribution of the tremendous output of our economic machinery. It has played a significant role in the new investment needed to get the production job done, and has made it possible for consumers to take the goods from the market.

In their attempts to make as much progress as they would like in as short a time as possible, however, some groups have ignored the fact that a sound and stable structure of credit is essential. They seem to believe that lending standards can and should be constantly downgraded to stimulate the expansion of production and consumer markets. I submit that we constantly should be reminded that history has always proved that unsound credit always ends in disaster. Thus, it is incumbent upon us to put to the test the policies of our own individual institutions. Do we at times find it too easy to ride along with the tide, or do we have firm convictions that what we are doing is in the interests of soundness and stability? This is a question each of us in the bank lending field must answer for himself.

If now and in the seemingly critical period that lies ahead we can conscientiously say that our weight is cast on the side of sound credit policies, then we shall have reassurance that the democracy of credit we know and cherish will be preserved for the future; we shall be confident that private credit will continue to spark our nation's progress; and we shall have discharged banking's responsibility for continuing to contribute to the superiority of our economic and governmental processes. This, I believe, is the realistic kind of answer that we and other segments of those processes can and must give to the propaganda evolving from a "satellite Pearl Harbor," the roots of which are deeper than the event.

Correction

In the *Financial Chronicle* of Jan. 23 it was reported that James Jackson, Jr., of Boston would be admitted to limited partnership in White, Weld & Co. Mr. Jackson is a limited partner in the firm and on Feb. 1 will become a general partner.

And More!

"The American public is in need of reassurance:

"(1) That the funds which are set aside for the benefit of working men and women in health, welfare and pension plans are accounted for.

Pres. Eisenhower

"(2) That the monies which are contributed by workers to union treasuries are being used solely to advance their welfare.

"(3) That organizations in which working people associate together voluntarily to improve their status through collective action will be administered in such fashion as to reflect their will.

"(4) That working people are more fully protected from dealings between representatives of labor and management which have the effect of preventing the full exercise of their rights to organize and bargain collectively.

"(5) That the public is protected against unfair labor and management practices within the collective bargaining relationship which give rise to the exercise of coercive power by one as against the other tending to impede the peaceful development of that relationship, or which infringe the legitimate rights of innocent third parties."—President Dwight D. Eisenhower.

Yes, but the public needs more. It needs to be free of the exactions of a labor monopoly, or better still of the monopoly itself, which has for so long been encouraged by government.

Predicts Good Year for Long Island Banks

Head of Security National Bank of Huntington asserts "despite reports to the contrary, the Long Island economy is quite healthy."

A prominent Long Island banker said recently that the banking community is experiencing a period of readjustment "unparalleled since the days of the Bank Holiday."

George A. Heaney, President of the Security National Bank of Huntington, third largest bank on Long Island, told shareholders at the bank's annual meeting Jan. 20 that 1958 will probably set the pattern for banking for many years hence. Heaney pointed to proposed legislation in Congress and the N. Y. State Legislature as an indication of the changes contemplated for banking.

"To meet the challenges of the future," Heaney added, "bankers must remain highly flexible—able to adjust to changes in the needs and demands of the community."

Pressures on Bank Traditions

"Bankers," he continued, "have been forced to step out of traditional paths in order to keep pace with our expanding economy and the new concepts brought about by the rush of scientific discoveries. He warned that banking traditions will be under even greater pressure in the future. "Sputnik has launched an era to which the banker must constantly keep attuned," he said.

Heaney declared, however, that "flexibility" does not mean any lessening of banking safeguards, nor casting aside sound banking principles. "The basic principles of good banking will always apply," he said.

Heaney declared that 1958 would be a good year for Long Island banks. "Business activity, as measured through our 16 offices, is still at a high level," he said. "Despite reports to the contrary, the Long Island economy is quite healthy. Savings deposits in Security National have increased during the past four months at a rate faster than at any time in the bank's history." he reported.

The Security National Bank President reported record earnings for the bank in 1957. Net profits, he announced, were $1,349,649 compared with $1,212,296 in 1956. During the year the bank declared two cash dividends totaling $1.50 per share.

Rousselot Pres. of Commodity Exchange

Commodity Exchange Inc. has announced the election as President of Harold A. Rousselot, general partner in Francis I. duPont & Co. He succeeds Theodore A. Lauer of E. F. Hutton & Co., who served two consecutive terms as President.

Harold A. Rousselot

Mr. Rousselot is a Governor of the American Stock Exchange, a member of the Board of Managers of the New York Produce Exchange, and a member of the Chicago Board of Trade.

A member of the Commodity Exchange since 1938 and a Governor since 1950, Mr. Rousselot is President of the Commodity Exchange Hide Clearing Association and a director of the Commodity Exchange Rubber Clearing Association, the Commodity Exchange Metal Clearing Association and the Commodity Information Corp.

The Commodity Exchange provides facilities for futures trading in rubber, hides, silk, burlap, copper, lead, zinc and tin.

C. W. Floyd Opens

(Special to The Financial Chronicle)

CHICAGO, Ill.—Cluiss W. Floyd is engaging in a securities business from offices at 328 West 90th Place.

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What Is Happening to the Economy and What Must Be Done

sire to make political capital out of the deteriorating economic situation and the absence of an adequate effort to change it. However, events are becoming increasingly critical for hundreds of thousands of our members, and for the nation.

Instead of vainly waiting to see if the situation gets worse, in three months or in six—and facing the possibility of having to cope with a much more difficult problem later on—action must be taken now to reverse the downward trend.

The great American productive system can be, and must be, immediately restored to full operation to meet the daily needs of our expanding population and the defense requirements of the imperiled free world. Our economy must, in fact, move constantly forward to higher levels of production and efficiency.

By the last three months of 1958, it is possible to achieve a record production rate at least $25 billion higher than our output level during the last quarter of 1957.

Offers Fourfold Program

We are completely confident this production goal can be achieved. These are our views about why we **must** achieve it, and how:

(1) **The Defense of the Free World Must Be Made Secure.**

Many argue that until a world-wide disarmament agreement can become a reality, only our own overwhelming retaliatory power will effectively deter aggression.

As steelworkers, we do not deem ourselves experts who can advise precisely what must be done, how much, and how fast.

But this we certainly **do** know. No other nation on the face of the globe can match our physical and manpower resources available to do any job. Given the facts and the leadership, Americans will support, and will accomplish, whatever must be done.

Is it not time to be getting on with the job?

From mid-1957 to the end of this year, about 50 million tons of steel that America could and should have been producing to remain strong and prosperous, will likely be lost if we keep on drifting. This tragic waste is actually equivalent to over 80% of the entire 60-million-ton steel production goal the Russians have set for themselves in 1958!

Furthermore, the present recession is already causing a mountainous production loss of other vital materials and equipment.

We recognize, of course, that many factors other than the amount of money spent and materials used up determine the effectiveness of our defense preparedness. Scientific research, military production planning, and the training of technical personnel are increasingly vital too. We are not apostles of frenzied defense spending for its own sake, alone.

American educational leadership—on which our scientific and technical advances, our public welfare and our defense all irrevocably depend — must be restored. Far more facilities for scientific research and training must be established. Competent teachers must be attracted to the schools, and kept there, by the payment of adequate salaries. Furthermore, a vast extension of higher education in all fields must be achieved through scholarships and by other means.

Is it not a national scandal that today only four out of every 11 high school graduates who are qualified, actually enter college? The rest either lack the necessary motivation to continue their education, or are financially unable to pay for it.

In addition, we must further extend our effort to aid underdeveloped free nations, for humanitarian and security reasons alike. Stronger economies, as well as military aid, are essential everywhere to strengthen freedom. Unfortunately, the gap between the poor nations and the wealthy ones is getting wider, rather than diminishing.

We should be helping more, by increasing mutually beneficial trade, by increasing technical assistance, and by increasing our grants and loans—particularly at a time when demands on our industry are slack and our farmers are capable of producing an abundance we cannot ourselves consume.

(2) **The Physical Facilities of American Communities Must Be Expanded to Meet Our Growing Needs.**

There is much to be done at home that could keep America's mammoth productive system continuously and fully employed.

For example, at the present time we could be producing more steel, cement, aluminum, and glass to help end the critical classroom shortage across the nation.

American schools and colleges are already filled to overflowing. Yet, enrollments are now increasing by over a million a year. By 1965, elementary, high school and college attendance is expected to be 15 million higher than it was in 1955.

Already the classroom shortage exceeds 150,000. In the next five years, according to responsible estimates, America should build at least half a million new schoolrooms. A total of about 15,000 new schools should be constructed throughout the nation.

Passage of The Federal School Construction Act will give needed aid in this area. More than Federal aid at the college level and for scientific and technical research is now needed; we must strengthen our entire school system from the bottom up. Passage of this Act is essential to help build schools in communities where they are now most critically needed. At the same time, it will put idle men and machines back to work. Most important, it will show that Americans mean it when we say that our education must once again lead the world.

In addition, a tremendous backlog of unmet public facility needs —besides our school requirements —has been gradually building up.

In 1940, we were a nation of 132 million people. There are 172 million Americans today. Ten years from now there will be 200 million.

Naturally, this astronomical population rise is increasing the demand for every type of public facility. Moreover, the construction lag during the depression and two wars has intensified the crisis we now face.

Despite our record postwar state and local construction of streets and highways, water, sewerage and industrial waste facilities, airports, parks and recreational centers, hospitals and other institutional buildings, the need keeps mounting, particularly in the congested metropolitan areas where most of the population growth is now occurring.

According to government studies, even the present peak rate of state and local public works construction is **less than half** of our current need.

On the Federal level, we are also lagging in harbor improvement, flood control, the expansion of power facilities, the strengthening of our merchant marine, the improvement of our national parks and forests, and the construction of Federal buildings.

All of these public facilities—Federal, state and local — are essential and urgently needed public improvements.

By accelerating this kind of construction **now**, we could stimulate employment and utilize industrial capacity we are presently wasting. Furthermore, the wealth of the entire nation could be greatly and permanently increased.

Prompt Federal leadership could rapidly increase home construction and slum clearance in cities across the country. Only last month "Fortune" magazine pointed out—"Today some 17 million Americans live in dwellings that are beyond rehabilitation—decayed, dirty, rat infested, without decent heat or light or plumbing. This problem affects all our metropolitan cities . . . but it is most severe in the biggest, richest, and most industrialized. The number of people crowded into slums is growing faster than the cities as a whole."

Responsible public groups report that a national housing goal of two million new units a year is now required if the dream of an adequate home for every American family is ultimately to be fulfilled. Surely, we can at least achieve the 1.5 million annual housing starts long ago proposed by the late Senator Taft. It can be done with proper Federal leadership.

In the first instance, public policies must support the construction of well built and reasonably priced homes for the middle-income market, by allowing low initial payments and long-term mortgages at low interest rates, geared to ability to pay.

To meet the needs of families who cannot afford to undertake home ownership, public housing also must be substantially increased.

Is not **now** the time — particularly when idle plants and manpower are available — to move faster towards the goal of decent homes in decent neighborhoods for all Americans, regardless of their economic status?

(3) **We Must Raise the Living Standards of All American Families, and Particularly the Neediest.**

Millions of our fellow citizens still live in poverty despite the unequaled American economic gains of the last 20 years. And, poverty continues to breed upon misfortunes which still abound in these United States. These include:

Sub-standard wages.

Unemployment and under-employment.

Old-age without adequate resources.

The impact of accidents, ill-health, and death upon the unprotected family.

Educational deficiencies.

Discrimination because of color, race or creed.

Uncounted millions of our fellow Americans still work for less than $1.00 an hour. The protection intended by the Fair Labor Standards laws has just passed them by.

For the unemployed, our state compensation system barely provides an average of $28 a week. Only in two states do even these meager benefits continue beyond 26 weeks; in 13 states, they end after 20 weeks, or less.

For the aged, our Federal social security system is providing an average of only $24.50 weekly for a married couple, and only $16.10 for a primary beneficiary alone.

Under our state workmen's compensation laws, payments for work incurred injury, and for death, continue to be scandalously low. Besides, we still have no adequate system that insures the American family against income loss due to non-work incurred disability and the soaring medical cost of catastrophic illness.

It should come as no surprise that a Congressional inquiry, two years ago, found 31 million Americans in families with cash income of less than $2,000 a year. Even in prosperous 1956, 29% of our families had incomes of under $3,000 **before taxes**, according to the Federal Reserve Board. Furthermore, 53% of our families had less than $500 in liquid savings with which to face emergencies; 23% had none at all.

Surely, there is no moral and no economic justification for unused factory and farm capacity when so many American families still are in need of so much.

America must set about raising family incomes fast enough to keep pace with its constantly rising ability to produce. And it must move fastest where the need is clearly most urgent.

We should raise the standards and coverage of minimum wage laws immediately.

We should expand the benefits and the coverage of our social security laws so that the unemployed, the aged, the sick, widows and orphans, and the victims of industrial accidents can begin to live in dignity and decency.

We must oppose the increasing use of sales taxes and wage taxes that already bear so heavily on our lowest-income families. Exemptions for dependents under the Federal income tax law must also be raised to a level that more realistically reflects the cost of raising a child.

Furthermore, all wage and salary earners must fairly share in benefits from productivity gains that they constantly are helping to bring about.

Steelworkers can claim a measure of achievement in this regard. Yet, in the basic steel industry productivity—the real output rise per manhour—has actually gone up far faster than the real wage gains of the workers. Between 1939 and 1957, real hourly straight time wages went up 53%. Steel productivity, on the other hand, rose 71%.

The determination of many industrial leaders to profiteer on every wage increase—while making labor the scapegoat for the higher prices they impose—is a major reason why real family incomes have not kept pace with our rising capacity to produce, and, in fact, why for millions real income has been falling.

The steel industry is a classic example of the way this inflation making process operates.

Although steel prices had already been raised $13.50 a ton in less than one year, only last July they were hiked $6 more. **Yet, prices could have been cut by $6 and profits still would have compared favorably with profits earned by the industry in most any prior year.**

Is it any wonder that in 1957, despite drastically reduced production, steel profits were higher than at any time before?

This effort by the steel and other industries to wring ever higher profits from ever higher prices has triggered the inflation that has plagued us all through the postwar years. A stable relationship between costs and profits is never long established. While a few profiteer, the many suffer. Ultimately, the process becomes self-defeating even for those who start it, because prices move so high that full production cannot be maintained. This is a major reason for the recessions which occur every three or four years.

(4) **Most Important. We Must Be Determined to Utilize Fully America's Unmatched Resources and Our Leaders Must Guide the Way. This is a Time for Action.**

Twelve years ago, when Congress passed the Employment Act of 1946, it pledged to the American people that:

"It is the continuing policy and responsibility of the Federal Government . . . with the assistance and cooperation of industry, agriculture, labor and state and local governments, to coordinate and utilize all of its plans, functions, and resources for the purpose of creating and **maintaining** . . . maximum employment."

There is no need to tell steelworkers—with thousands of our members now unemployed or working part-time, and facing uncertainty and distress—that this pledge to the nation has **not** been fulfilled.

Yet, in the hands of the Federal Government there are, and have been, the means to prevent this unnecessary economic downturn.

By working cooperatively with state and local governments, and with private groups, and by using the economic know-how and vast monetary fiscal and procurement powers at its command much could have been done.

While an increase in family spending should have been a major tax policy objective at the end of the Korean War, the Federal Revenue Code Amendments of 1954 conveyed billions in tax savings to wealthy individuals and corporations instead. Practically no relief has been granted, on the other hand, to the 28 million federal taxpayers with incomes of $5,000 or less.

In the name of fighting inflation —brought on largely by profiteering and the capital expansion boom—a blunderous hard money, high interest rate policy has been pursued without adequate thought of its consequences. Unfortunately, it has hindered critically needed public construction. Besides, high interest rates have added billions to the carrying charges of family purchases of appliances, automobiles and homes, and to the public cost of meeting the charges on federal, state and local debts.

In the name of economy, rising public service needs have been ignored and existing programs have been cut.

But this, I trust, is all behind us.

Let us now look to our defenses.

Let us accelerate the construction of the public facilities our expanding population so critically needs.

And, let us now—management, labor and government together—pursue those enlightened policies that are necessary to build up family purchasing power to match our rising capacity to produce.

If we but use our unmatched physical and human resources wisely, we can have adequate schools for all our children, decent homes and neighborhoods for all our families, and banish poverty forever from this land.

This unwarranted business downturn can be ended practically overnight. It must be! Americans are in no mood to tolerate the fatal doctrine of a balanced budget while their country keeps drifting down.

* * *

In April, 1954, at another grave time for the Steelworkers, the Executive Board of this great union said:

"The United Steelworkers of America neither view the present, nor the future with hysteria. Our faith in this nation and its capacity to meet its problems is unlimited."

We hold true to this view today. But it is time to get on with the job!

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Overcoming Points of Friction In Inter-American Ties

allies will stand by us when the chips are down, despite their large communist and socialist parties and the shrunken shore lines of our "reservoirs of good will." But, I have no doubt whatever as to the stand which will be taken by our Latin American friends if and when the final showdown comes between the forces of communism and freedom. They will be on our side—not because it is the side of the biggest pocketbook, the most powerful missiles or the largest battalions, but because they share our devotion to the Christian ethic of individual dignity and worth, and our faith in the ultimate triumph of right and justice.

I am sure that all of us who know Latin America believe this very sincerely, but we have not done a very effective job in conveying to the American press, to the public or to our government officials, an appreciation of the overriding importance of maintaining and strengthening our inter - American relationships. I have said that, in the world-wide struggle between the forces of communism and those of freedom, our Latin American friends will be among our most dependable allies — and this will be true whether in time of prosperity or adversity; whether or not there exists a full measure of mutual understanding among us. But, strong allies are better than weak allies, and understanding friends are better than friends of circumstance or necessity. At the present time, unfortunately, many of our southern neighbors are economically weak, and they are struggling with economic ills that threaten to get more serious before they get better. Furthermore, there are a number of points of friction between them and us which will not be easy to eliminate but will require a great deal of patient effort at mutual understanding.

The USIAC can perform no more useful function than to help awaken the American people to the importance of their inter-American ties, acquaint them with the nature of Latin America's economic problems and of their attitudes toward our economic policies, and thus create the atmosphere of mutual understanding which will lead to a more satisfactory relationship.

Before I close this somewhat rambling discourse, I want to be more specific about some of these points of friction and what we in the USIAC can do to help remove them. I know that there also is much that can be done by our Latin American friends in the IAC, who have been so helpful in the past. Numerous cases could be cited of positive action on their part to avert the passage of legislation prejudicial to United States private investments. There are other cases where action by the United Nations and its agencies, detrimental to foreign investment interests, was averted as a direct result of appeals made by the USIAC to its Latin American friends who, in turn, used their influence with their governments to good advantage. So far as I know, our Latin American associates have never failed us when we have appealed to them in an emergency; and I hope that we can be equally useful to them.

Reviews "Sore Points"

Now, as to the principal points of friction, most of which lie within the field of economic policy—particularly commercial and financial policy: First, and certainly not the least exasperating, are the international aspects of our various agricultural support programs. One of the foremost of our American economists recently referred to the United States as "a tremendously rich country, liable to irresponsibility in its trade policies where farmers are involved, and able, willing and even eager to give its agricultural surpluses away in the absence of any other means acceptable to American producers of meeting their demands that they continue to prosper and continue to grow the products in the quantities to which they have become accustomed."

This is precisely the way it looks to Latin America. Whether we are dealing with surplus commodities, such as wheat, cotton and dairy products; or with products in which we are not self-sufficient, such as sugar, tung oil and various minerals; our commercial policies frequently run counter to the free market principles and the liberal trading policies we expect others to follow and in which we profess to believe.

I know that agricultural policy has long been the sacred cow of our politicians; but it is time that the general public in our country became aware of how the product of this animal is curdling our international relations.

Another sore point with Latin Americans centers around our foreign aid programs. They have winced at the announcement of each multi-million or multi-billion dollar program with the inclusion of huge sums to help erstwhile enemies, lukewarm friends and nominal neutrals on both sides of the iron curtain. It is not that they want a give-away program for Latin America. They are too proud and too independent to seek that kind of help. And, it is not that they do not understand and acknowledge that there has been a need for a certain amount of aid to rehabilitate war-torn economies and to bolster the defenses of those countries which are under the communist guns and are ready and willing to fight for their freedom. They would agree that some of these expenditures should help to protect their security as well as ours. What they do not understand is our fatuous and persistent belief—against all the evidence to the contrary — that our past and present give-away programs can make countries like Jugoslavia, Poland, India and Indonesia, to name a few, more friendly, more democratic, or more resistant to communism.

Now, I realize that foreign aid is a highly controversial subject; that its proponents are going to urge more of it, rather than less, as the result of Sputnik, and that opposing some of these foreign aid programs can make one very unpopular in certain circles. Nevertheless, I think that all of us should speak up on every possible occasion against those aspects of our foreign aid program which seem to them to supply additional evidence of our alleged "neglect" of Latin America and of our greater concern for the welfare of "neutrals" and possible enemies than for our actual allies and friends.

There are other points of friction which derive from the vulnerability of Latin American economies to fluctuations in commodity prices, such as our government's opposition to international commodity agreements designed to restrict production or support prices for products vitally important to Latin America. Granted that our opposition to such agreements is based on sound economic grounds, and that the position we have taken will, in the long run, be most beneficial to Latin America; but, "in the long run, we will all be dead"—one of the few statements by Dr. Keynes, by the way, which is beyond dispute. And, in the meantime, several Latin American countries are heading for trouble in their attempts to cope with the tremendous coffee surplus looming on the horizon for '58 and succeeding years. It is no answer to say that they created this problem for themselves. So did our wheat farmers create their problem. We are in no position to lecture anyone on agricultural policy and we must be prepared to extend the emergency assistance our Latin American friends will surely need during the next two years. It would be helpful, of course, if we could strive for more consistency in our rejection of price supports and international commodity agreements regardless of whether the commodities are produced in the United States, in Latin America, or elsewhere.

Foreign Trade Policy

But the greatest actual and potential threat to our inter-American relations lies in the field of foreign trade policy where decisions may be made within the next few weeks or months which could seriously impair them. Most Americans have no conception of the importance of foreign trade to our sister republics in this hemisphere, or of the extent of their dependence on continued access to the United States market. Dependent, as many of them are, on the exportation—mostly to the United States—of one or a few commodities for the dollar exchange they must have to buy our manufactured goods and service our investments, any restriction of that access can cause an immediate crisis and lead to widespread distress. Latin Americans complain that our government is quick to call upon them for help in time of emergency, and that they always have responded, not only by expanding production of industrial raw materials and foodstuffs but by selling them to us at prices below the world market. Then, they say, when the crisis is over and prices fall, we become greatly concerned with the situation of our domestic producers and quickly erect import barriers against Latin American products.

Unfortunately, there is more than a grain of truth in this contention, as witness the present drive for higher import duties on imports of lead and zinc and the recurring agitation to place restrictions of various sorts against imports of such Latin American commodities as copper, petroleum, tung oil, fishery products and sugar. Our Congressmen are never so concerned about the complaisant consumer as they are about the more vocal producer whose livelihood may be threatened when commodity prices fall; but, surely, a way can be found to take care of the few who are directly affected, and at relatively small cost, without endangering the economy of entire countries, causing untold distress to millions of people, and straining the friendship of some of the few nations that can really be depended upon to help us in the next emergency. It seems particularly obtuse on our part, when every study of the nature and extent of our mineral resources points to the need for conservation, to use the national security argument to support a policy of more rapid depletion by excluding imports. Certainly we, as members of this hemispheric organization, and acquainted as we are with the facts, can do far more than we have been doing to bring this broader picture to the attention of the American public and, particularly, our friends in Congress.

Latin American Faults

I do not want to leave the impression that the sources of friction in our inter-American relations are all the fault of the United States. I have only pointed out some of our own shortcomings and inconsistencies because I believe that reform must begin at home. Let us try to remove the beam from our own eye so that we can see better to assist our Latin American friends to remove the mote that is impairing their vision.. And, certainly, the mote is there. It goes by many names; it produces a variety of disturbing symptoms; it is not restricted to Latin America; it is not unknown in the United States; and it has been raging in epidemic form throughout the less - developed areas of the world. In its worst form, it is the kind of blind, unreasoning nationalism that leads to confiscation of foreign property, breaking of contracts and business agreements, and exclusion of foreign interests even at the cost of complete disaster to the local economy.

In its milder forms, the ones more prevalent in Latin America, it leads to wastage and dissipation of national resources on uneconomic industrial projects, and to needless government expenditures on projects which could be financed by private capital if conditions were created under which private investors could earn a fair profit on their enterprises in reasonable safety.

Economic Problems

The expansion of the economic activities of government during recent years—the needless intervention of government in what should be private business matters—surely are prime contributing factors to the unbalanced national budgets, the excessive currency issues, the spiraling price levels and the deterioration in currency values that make it increasingly difficult to do business in certain Latin American countries. That some of these countries are waging a courageous battle to halt this disastrous inflation is due in large part to the influence exerted by our business friends in the IAC. They need, and are certainly worthy of all the support that we can give them in this crucial battle. I trust that none of us will be too busy during the coming year to give serious thought to the economic problems that will be faced by our friends in Latin America, and that we will be able to contribute something, individually and collectively, to their solution.

All of us have faith in the long-term future of Latin America, but the Good Book tells us that faith without works is dead—dead as Maynard Keynes says that we all will be in the long run. The next two years will be critical ones for Latin America; how critical will depend largely on the condition of our own economy. It has been said that a sneeze in the United States can cause pneumonia in Latin America. I am one of a number of Americans who have done considerable sneezing during the flu epidemic and I'm afraid that our national economy has developed some similar respiratory symptoms. I hope that we can cure them rapidly and restore the traditional vigor of our free enterprise economy; but for own own sake and theirs, let's try to avoid trade policies that will result in exporting our ailments to our Latin American friends.

Joins E. F. Hutton

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Catherine S. Hensley has become associated with E. F. Hutton & Company, 111 West 10th Street. Miss Hensley was formerly with H. O. Peet & Co. and prior thereto was cashier for Martin-Holloway-Belcher.

With Goldman, Sachs

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—William C. Glaser has become associated with Goldman, Sachs & Co., 314 North Broadway. He was formerly with the St. Louis Union Trust Company.

Huston With Henkle

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb. — John E. Huston has become associated with E. E. Henkle Investment Company, Federal Securities Building. Mr. Huston was formerly with Dean Witter & Co. and Central Republic Company as local manager.

C. V. Moore has also joined the firm's staff.

Many cancers can be cured if detected in time. That's why it's important for you to have a thorough checkup, including a chest x-ray for men and a pelvic examination for women, each and every year . . . no matter how well you may feel.

AMERICAN CANCER SOCIETY

Continued from page 16

Looking Back and Forward

increase, in the basic expenditures for several years.

It is a budget drafted for extraordinary times—drafted under conditions of cold war—with the aim of preventing a total war and waging a total peace. To accomplish this end, a great part of the budget will be allocated — and such expenditures, far from being improvident, are both wise and essential.

Almost two-thirds of the Federal budget expenditures for the Fiscal Year 1959 will be reserved for major National security programs, both domestic and foreign.

Large though they may be, and growing though they are, we cannot gainsay the wisdom of these defense expenditures. It should be money well spent. Paradoxical though it may sound, every dollar spent for missiles and guns is a dollar spent for peace, for we can be secure only so long as we are too powerful to be attacked. If there be errors in this figure, let us hope that the errors shall prove to be those of spending too much rather than saving too much for security. I should much prefer to allocate a little more to defense, and discover I had allocated too much, than to allocate too small a sum and discover too late that the sum provided was inadequate.

Of the approximately $46 billion to be expended for major national security programs, a relatively minor percentage, although a significant amount, over $3 billion, will be reserved for our mutual security program—to lend a helping hand to other nations less fortunate than ourselves and to provide those nations with the arms they need to withstand attack, armed insurrection, and subversion, and to help them combat and overcome the prevailing disease, hunger, poverty, and ignorance which provide so fertile a soil for the propagation of communism. This, too, is money well spent. We all must know by now that we cannot forever survive alone on our little "island." We need allies in the present struggle—allies who are not merely militarily strong, but physically and economically sound, able to stand with us in this universal fight for freedom.

In addition to the billions for military services, international security, atomic energy, defense productions and other defense expenditures, the budget includes "major fixed and continuing charges" of almost $13 billion, largely attributable to the cost of past wars. Of this, a major portion will be spend for interest on the National debt, and the balance for war veterans' services and benefits. These are obligations with which our economy is already saddled, and which no amount of sharp-pencilling can remove from the balance sheet.

Apart from the expenditures for major National security programs and the fixed and continuing charges, the proposed expenditures for other Governmental functions will be relatively conservative. In fact, such expenditures have been reduced in the past several years, notwithstanding the increased costs of goods and services to the Government. This, I believe, is a strong indication of the fiscal conditions under which we would be operating were it not for the present disturbed state of international affairs.

Of course, it is extremely difficult sometimes to satisfy even the minimum needs of normal Governmental operation. In days of stress such as these are, the most essential functions, such as defense operations, must be given by far the larger part of the purse, and other so-called nonessential or peacetime operations must be cut to the bone. This is particularly true when defense and related expenditures are estimated at so high a level that deficit spending might well be required.

Taxes and Balanced Budget

At a mere mention of budget deficits many economists and businessmen throw up their hands in horror and demand to know why the Government cannot pay as it goes. We all agree that that would be the ideal way to run this gigantic business, and it would be one of the best possible prophylactics that could be used against inflationary pressures. But in the light of the present world situation and, barring a decided improvement, I believe there is actually little hope of our achieving the blessed state of pay as you go in the immediate future.

Similarly, I see very little hope of reduction in the high taxes which the Government must collect to meet these extraordinary expenditures. We must continue to spend for defense. None of us knows how long we shall have to do so. We cannot afford to be unprepared. These huge defense expenditures both for ourselves and for others, and the high taxes which they entail, in a period that is technically known as peace, are economic facts which have been novel in the extreme to Americans, but they are facts of life to which we must become adjusted. In my mind, it is pure day-dreaming for anyone wishfully to think of substantial reductions in the prevailing tax load. If we want to win the cold war or wage a total peace, we shall have to meet the costs. Regardless of the Administration that may hold forth in Washington, taxes will have to be kept at a high level for a long time, and we might as well get used to that fact.

So long as the taxes are necessary, equitably and reasonably imposed, and collected without fear or favor, without loopholes for the benefit of a few, none of us can have any justifiable cause for complaint. No one can seriously dispute that high taxes are essential at present and will be for the foreseeable future, not only as a means of meeting the extraordinary costs of Government, but also as a means of combatting inflationary pressures—by reducing the total supply of money.

Incurable Optimist

There are some people, and we've all heard one or two, who insist upon and expect a prophetic power on the part of our leaders in Government—an assurance of infallibility in these indecisive and unsettled times. As a fellow who started his economic life as a newsboy, at the age of eight, I believe I have acquired, more or less as a matter of necessity, a reasonably practical approach to life's problems. I do not expect any such assurances. And, more importantly, when it comes to the American way of doing things, I am an incurable optimist — convinced in my own mind and heart that, in the main, our country's general and fiscal policy will be effective and that the money being expended and proposed to be expended, is and will, by and large, be well spent. I believe that out of this present period of doubt and fear we shall emerge with a durable peace and a better and fuller life, not merely for ourselves but for our neighbors throughout the world.

There are those who might say that such predictions and convictions border on fantasy — are the things that dreams are made of—but, they are less fantastic by far, and much more plausible, than would have been predictions only 50 years ago of our present standard of living and of our present record of economic and productive achievement, accomplished through two terrible World Wars and unprecedented periods of economic boom and bust.

To my mind it would be practically impossible for anyone, however, skeptical he might be, to examine our record of positive achievement over the past 50 years, and, aside from present international complexities, be anything but reassured and even glowingly optimistic. From a weak and tremulous birth, we have, in a relatively brief period of time as the lives of nations are counted, grown to giant size in the family of nations, and have assumed our rightful position as leader of the free countries of the world. In times fraught with danger when men throughout the world are given the soul-searching choice between the conflicting ideologies of fear and freedom, we have taken upon ourselves—or, rather, I should say by force of circumstances have had thrust upon us, the grave but welcome responsibility of seeing to it that fundamental rights and freedoms are preserved, not merely for our own posterity but for that of mankind.

This then is not the time for contraction, for drawing the reins too tightly. This is the hour for continued expansion—for progress, not retrogression — for optimism, not pessimism — for positive, not negative thinking.

Form Cador Inc.

FAR HILLS, N. J.—Cador Incorporated has been formed with offices at Far Hills Center to engage in a securities business. Officers are Charles S. Dewey, Jr., president; Alan B. Grady, vice president and Treasurer; and Erica E. Felgner, secretary.

M. A. Saari Opens

LOS ANGELES, Calif.—Mathew A. Saari is conducting a securities business from offices at 4050 West Beverly Boulevard. He was formerly with Daniel D. Weston & Co.

Continued from page 4

The State of Trade and Industry

Michigan factory and various Ford division and Chrysler Corporation locations.

Six-day assembly was carried out at Chevrolet's St. Louis Corvette plant and Lincoln's Wixom, Michigan, factory.

The volume of building permits for the 217 cities (including New York) reporting to Dun & Bradstreet, Inc., for 1957 totaled $6,005,163,308, representing a decline of 3.1% from the record $6,196,884,821 total for 1956.

For New York City alone, building plans filed during 1957 were down 24.3% to $652,001,448 from $861,609,508 in 1956.

Steel Operations Scheduled at 92.1% of Ingot Capacity This Week

The bottom of the recession is in sight. That is the consensus of some of the nation's outstanding economists interviewed by "Steel," the metalworking weekly.

The biggest part of the cutback took place in the fourth quarter and conditions are not likely to get much worse, say a prominent banker, builder, educator, investment counselor, and steelman. All five experts pick either the third or fourth quarter as the time for the turn of the business tide.

At least one concrete sign hints better things for metalworking. Scrap prices, a barometer of economic trends, have turned up slightly. Scrap prices started a long decline last July, which was reflected in a slide in metalworking volume that became obvious by September, observes this trade weekly.

Usually, scrap prices move several months before metalworking sales change direction. In the week ended Jan. 22, "Steel's" scrap price composite hit $34.25 as against the $33.33 level that has held for two weeks and the $32.77 average chalked up last month. (The scrap composite is an index based on prices of the No. 1 heavy melting grade at Pittsburgh, Chicago, and eastern Pennsylvania.)

If the rebound holds, continues this trade paper, it presages better business for metalworking, particularly the steel industry, which has been more depressed than the general economy because of inventory liquidation.

The bottom should be felt this quarter at close to present levels of 55.5% of capacity for the week ended Jan. 26. Weekly capacity is now 2,699,173 tons compared with 2,559,490 tons in 1957 and 2,461,893 tons in 1956.

Last week, mills turned out about 1,500,000 tons, some 38,000 tons less than they did the preceding week. The rate is equal to an index figure of 93.4%, based on average production in 1947-49. A year ago that index stood at 153.9.

More miscellaneous small orders are being placed, particularly for sheets. While encouraged by the rise in miscellaneous buying, the pickup is thought to be a reaction to stock cutting in December that was too drastic. Most steelmen believe we will do well if February's volume matches January's.

Though new orders are presently limited, the long range outlook for demand is promising. Bigger military spending should generate larger orders in the months ahead and the seasonal surge in construction will spur heavier buying of building steel products. Expectations are that public construction, notably highways, will provide strong support for steel demand beginning in the second quarter.

Hopes are still pinned on a spurt in automotive needs, but auto steel inventories have climbed to the 16-20 day level on the basis of curtailed production schedules. As a result, the industry is ordering steel largely on a day-to-day basis. Automotive steel buyers are not likely to resume heavy buying soon. Dealers' car stocks are around 800,000, far more than the industry desires, "Steel" notes.

The American Iron and Steel Institute announced that the operating rate of steel companies, having 96.1% of the steelmaking capacity for the entire industry, will be an average of 92.1% of capacity for the week beginning Jan. 27, 1958, equivalent to 1,479,000 tons of ingot and steel for castings (based on average weekly production for 1947-1949) as compared with an actual rate of 93.1% of capacity, and 1,496,000 tons a week ago.

The industry's ingot production rate for the weeks in 1958 is based on annual capacity of 140,742,570 net tons as of Jan. 1, 1958.

For the like week a month ago the rate was 93.4% and production 1,501,000 tons. A year ago, the actual weekly production was placed at 2,498,000 tons or 155.5%.

Index of production is based on average weekly production for 1947-1949.

Electric Output Declined Below the Previous Week and Like Period a Year Ago

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Jan. 25, 1958, was estimated at 12,399,000,000 kwh., according to the Edison Electric Institute. Output the past week registered a decrease below that of the preceding period which totaled 12,400,000,000 kwh.

For the week ended Jan. 25, 1958 output declined 1,000,000 kwh. under that of the previous week and declined 11,000,000 kwh. or 0.1% below that of the comparable 1957 week but increased by 887,000,000 kwh. above that of the week ended Jan. 28, 1956.

Car Loadings Week Ended Jan. 18, 1958 Rose 0.5% Above Previous Period

Loadings of revenue freight for the week ended Jan. 18, 1958, were 2,909 cars or 0.5% above the preceding week, the Association of American Railroads reports.

Loadings for the week ended Jan. 18, 1958, totaled 572,353 cars, a decrease of 84,916 cars, or 12.9% below the corresponding 1957 week and a decrease of 126,933 cars, or 18.2% below the corresponding week in 1956.

Automotive Output Turned Slightly Upward in Past Week

Automotive production for the week ended Jan. 24, 1958, according to "Ward's Automotive Reports," advanced mildly above

the level of the prior week, but passenger car output for the month of January is expected to fall 20% below the same month a year ago.

Last week's car output totaled 111,582 units and compared with 109,761 (revised) in the previous week. The past week's production total of cars and trucks amounted to 129,448 units, or an increase of 1,060 units above that of the preceding week's output, states "Ward's."

Last week's car output advanced above that of the previous week by 1,821 cars, while truck output decreased by 761 vehicles during the week. In the corresponding week last year 145,191 cars and 23,138 trucks were assembled.

Last week the agency reported there were 17,866 trucks made in the United States. This compared with 18,627 in the previous week and 23,138 a year ago.

Canadian output last week was placed at 4,830 cars and 1,100 trucks. In the previous week Dominion plants built 7,039 cars and 1,078 trucks and for the comparable 1956 week 8,485 cars and 1,736 trucks.

Lumber Shipments Fell 3.0% Below Output in Week Ended Jan. 18, 1958

Lumber shipments of 493 reporting mills in the week ended Jan. 18, 1958, were 3.0% below production, according to the National Lumber Trade Barometer. In the same period, new orders were 8.5% above production. Unfilled orders amounted to 28% of stocks. Production was 10.1% above; shipments 11.1% above and new orders were 22.5% above the previous week and 7.3% above the like week of 1956.

Business Failures Climbed in Latest Week

Commercial and industrial failures climbed to 333 in the week ended Jan. 23 from 260 in the preceding week, Dun & Bradstreet, Inc., reports. At the highest level in any week since 1940, casualties were considerably above the 258 last year and the 284 in 1956. However, they remained 14% below the level of 385 in the comparable week of 1939.

Failures involving liabilities of $5,000 or more rose to 271 from 226 in the previous week and 221 a year ago. Small casualties with liabilities under $5,000, were almost twice as heavy as the week before, numbering 62 as against 34 and exceeding the 37 of this size in 1957. Thirty-two of the failing businesses had liabilities in excess of $100,000 as compared with 20 in the preceding week.

Failures in December Reach Postwar High

Despite a seasonal dip in December to 1,080, business failures reached a total in 1957 of 13,739, the highest number in any year since 1939. However, the rate of increase slackened considerably in 1957, amounting to 8% as compared with a rise of 16% between 1955 and 1956.

Casualties occurred at a rate of 52 per 10,000 listed enterprises, edging up from 48 per 10,000 in the preceding year, but remaining noticeably below the prewar rate of 70 in 1939.

Dollar liabilities climbed 9% in 1957 to $615,000,000. The sharpest rise centered among concerns failing with liabilities between $100,000 and $1,000,000.

Neither very small casualties, those under $5,000, or exceptionally large ones in excess of $1,000,000, were as numerous as in 1956.

Construction and retail businesses continued to account for the most marked increases in casualties, while wholesaling showed the least year-to-year change. In retailing, totals surged to record levels in furniture and furnishings stores, building materials dealers, automotive group and eating and drinking places. On the other hand, casualties were less severe than in 1956 in the food, general merchandise, apparel and drug lines. Failures among manufacturers rose at a slightly accelerated rate in 1957, lifting their total above the previous 1949 peak. Considerably more concerns succumbed than a year ago in the lumber industry, mining, stone, clay and glass. In contrast, totals dipped the lowest in four years or more in textiles and apparel, leather, iron and steel and machinery.

In seven of the nine major geographic regions, failures reached postwar records in 1957. The West South Central and East South Central States suffered appreciably heavier casualties. Increases also exceeded the national average in the East and West North Central States. Non-metropolitan districts accounted for nearly all of the year-to-year rise as total failures in 25 of the largest cities held relatively steady.

Wholesale Food Price Index Touched Highest Point Since April 19, 1955

The wholesale food price index, compiled by Dun & Bradstreet, Inc., continued to rise for the fourth straight week, reaching $6.52 for the week ending Jan. 21. This is the highest point since April 19, 1955. Compared to the week previous, the current index figures shows an increase of 1.1% and it is 6.2% higher than a year ago.

Contributing toward the increase the past week were higher prices for wheat, rye, potatoes, sugar, cocoa, cottonseed oil, butter, cheese, steers, lambs and bellies. Lower prices were registered in corn, oats, barley and eggs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Recorded Further Mild Declines the Past Week

There was another slight decline in the general commodity price level last week. Lower prices on some grains, copper and tin, offset increases in butter, sugar, hogs and tea. On Jan. 20 the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., fell to 276.54 from 277.02 a week earlier and was appreciably below the 299.09 of the similar date a year ago.

Most grain prices ended close to those of the preceding week. Following a report that the government's estimate of the carry-over of soybeans at 50,000,000 bushels was 25,000,000 too high and would be subject to revision, soybean prices climbed noticeably at the beginning of the week, but fell later on. An upsurge in the buying of wheat occurred on Friday, followed by a moderate price rise. Prices on corn and rye finished the week fractionally below those of a week earlier.

Wholesalers reported a moderate rise in the buying of spring flour, while purchases of other types were unchanged. Except for some orders for flour from Ceylon, the export market lagged. Flour receipts at New York railroad terminals on Friday last amounted to 38,489 sacks with 5,462 for export and 33,027 for domestic use. Flour prices were steady.

The call for rice was sustained at a high level as prices held unchanged from those of the prior week. Wholesale trading in sugar expanded moderately, with a slight increase in the price of the raw product.

Although transactions in coffee remained high, future prices dipped slightly. Interest in cocoa improved substantially, but prices were unchanged. Increased interest in rubber helped boost prices somewhat.

Receipts of cattle in Chicago dipped noticeably below those of both the previous week and the similar 1957 period. Beef prices were close to those of a week earlier. A moderate increase in hog prices occurred as buying expanded substantially. Hog receipts were down slightly from the prior week. Purchases of lamb slackened, but prices were steady. Wholesalers reported a slight decline in lard prices as trading lagged.

Reports that the Administration planned to ask Congress for new legislation to allow lower price supports and increased plantings resulted in a noticeable decline in cotton trading, causing prices to drop moderately. Cotton exports for the week ended on Tuesday a week ago, were estimated at 163,000 bales by the New York Cotton Exchange. This compared with 141,000 bales a week earlier and 125,000 bales in the comparable period a year ago. For the current season through Jan. 14 exports were estimated at 2,492,000 bales as against 3,282,000 during the similar period last season.

Increased bookings in sateens and print cloths boosted the over-all volume in cotton gray goods during the week. Except for some scattered orders, sales of cotton yarns were sluggish. Interest in woolens, worsteds and carpet wool was close to that of the preceding week.

Trade Volume Registered a Slight Increase Over Like Period in 1957 the Past Week

Although consumer buying slackened somewhat in the period ended on Wednesday of last week, it was slightly higher than a year ago. Merchants reported year-to-year gains in sales of women's apparel, furniture and food products offsetting declines in men's clothing, housewares and some major appliances. Sales of new passenger cars were slightly less than those of both the preceding week and the similar 1957 period, spot reports indicated.

The total dollar volume of retail trade in the period ended on Wednesday of last week was unchanged to 4% higher than a year ago, spot estimates collected by Dun & Bradstreet, Inc., showed. Regional estimates varied from the comparable 1957 levels by the following percentages: New England States +3 to +7%; Middle Atlantic and Pacific Coast +1 to +5; East North Central, West North Central, Mountain 0 to +4; South Atlantic and West South Central —1 to +3 and East South Central States —4 to 0%.

Reduced-price clearance sales promotions continued to encourage the buying of women's cloth coats, sportswear and dresses. The call for fashion accessories, millinery, and lingerie was close to that of a week earlier. Interest in men's apparel fell slightly below that of both the preceding week and the similar 1957 period. Volume in children's clothing equalled that of the prior week.

Furniture stores reported moderate gains from a week earlier in sales of upholstered chairs, dining room suites and bedding. Volume exceeded that of last year. While year-to-year gains prevailed in purchases of draperies and floor coverings, interest in linens and towels remained at the comparable year ago level. The buying of lamps, lighting fixtures and refrigerators climbed somewhat over last year, but over-all volume in major appliances was down fractionally.

Housewives increased their buying of frozen foods, canned juices, fresh meat and dairy products, offsetting decreases in poultry, fresh produce and baked goods.

An upsurge in wholesale orders for furniture occurred last week and volume was close to that of a year ago. Attendance at the New York Furniture Show was noticeably higher than at the similar event last year. The buying of draperies and floor coverings improved during the week with volume equalling that of the comparable 1957 week. Bookings in lamps and lighting fixtures expanded appreciably. Chicago wholesalers reported appreciable gains from last year in sales of housewares.

Women's Spring merchandise climbed moderately and wholesalers of women's millinery reported a considerable rise in orders.

Trading in industrial fabrics, rayons, acetates and synthetic fibers picked up somewhat the past week in most textile markets, while increased buying of print cloths and sateen boosted over-all volume in cotton gray goods. Volume in woolens, worsteds and carpet wool lagged again during the week.

Total wholesale volume in food products advanced moderately last week.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Jan. 18, 1958, increased 3% above the like period last year. In the preceding week, Jan. 11, 1958, an increase of 1% was reported. For the four weeks ended Jan. 18, 1958 an increase of 10% was reported. For the year 1957 an increase of 1% was registered above that of 1956.

Retail trade sales volume in New York City the past week rose 3% to 5% over that of the like period a year ago, estimates by store executives reveal.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Jan. 18, 1958 increased 4% above that of the like period last year. In the preceding week, Jan. 11, 1958 an increase of 1% was reported. For the four weeks ended Jan. 18, 1958, an increase of 11% was registered. For the year 1957 the index registered an increase of 2% above that of the corresponding period in 1956.

Kellogg Not Available For Re-Election

James Crane Kellogg, 3rd, Chairman of the Board of Governors of the New York Stock Exchange, has announced he would not be available for re-election as Chairman. He is senior partner in the specialist firm of Spear, Leeds & Kellogg.

J. C. Kellogg, 3rd

Mr. Kellogg, whose second successive term as Chairman will end on May 19, made his decision known in a letter to the Nominating Committee. The committee has the responsibility of naming nine nominees for incoming members of the Board and a Chairman to be voted on by the membership at the annual election May 12.

Mr. Kellogg, 42, was elected a Governor in 1950 and Vice-Chairman in 1954. In 1956 and again in 1957 he was elected Chairman. He started his career in the brokerage business as a telephone clerk on the trading floor and was admitted to Exchange membership in July, 1936, when he was 21 years old.

"The office of Chairman," Mr. Kellogg said, "carries with it great honor and also heavy responsibility. I feel that the time has come when I must give more consideration to the demands and responsibilities of my own business."

Mr. Kellogg is a Commissioner of The Port of New York Authority and Vice-Chairman of the Authority's Finance Committee. He is a director of the City Federal Savings & Loan Association and the Central Home Trust Company; President and Director of J. C. Kellogg & Sons; President of the J. C. Kellogg Foundation (an organization devoted to medical research); and a director of Manhattan Shirt Company. He is a Trustee of the Bay Head (N. J.) Chapel and Westminster Presbyterian Church.

Mutual Fund Inv.

WASHINGTON, D. C.—Mutual Fund Investments Ltd. has been formed with offices at 1511 K. Street, N. W. Roger A. Kingsbury III is a principal in the firm.

Cunningham Co. Opens

OKLAHOMA CITY, Okla.—Raymond C. Cunningham is engaging in a securities business from offices in the Petroleum Building under the firm name of Cunningham and Company. He was formerly with Clisbee-Thompson & Co.

Opens Own Office

Gertrude B. Steele will conduct her own investment business from offices at 52 Wall Street, New York City. For many years she was a partner in Steele and Company.

Butcher & Sherrerd Branch

HAGERSTOWN, Md. — Butcher & Sherrerd has opened a branch office at 10 North Jonathan Street under the direction of Joseph H. Dagenais, Jr. Mr. Dagenais was formerly resident manager for Goodbody & Co.

Three With J. C. Roberts

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass. — Agostino DiRoma, Jr., Raymond D. Jordan and Kenneth W. Lessard have become affiliated with Jay C. Roberts & Co., 18 Vernon Street. All were previously with King Merritt & Co., Inc.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ Allegheny Ludlum Steel Corp.
Jan. 27 filed 50,000 shares of common stock to be offered for sale pursuant to company's Thrift Plan for eligible salaried employees of company and its subsidiaries.

Allen (Walter H.) Co., Inc.
Nov. 4 (letter of notification) $150,000 of 10-year 6% unsecured debentures, due Nov. 1, 1967, to be offered to stockholders. **Price**—At par (in units of $1,000). **Proceeds**—For construction of a new addition to present building. **Office**—6210 Denton Drive, Dallas, Texas. **Underwriter**—None.

American European Securities Co.
Jan. 15 filed 76,563 shares of common stock to be offered to holders of outstanding common on the basis of one new share for each 6 shares held of record to the effective date of registration statement. **Proceeds**—For investment purposes. **Price**—To be supplied by amendment. **Office**—Jersey City, N. J. **Underwriter**—None.

American Life & Casualty Insurance Co.
Dec. 3 filed 101,667 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each two shares held; unsubscribed shares to be offered to public. **Price**—$10 per share. **Proceeds**—For capital and surplus accounts. **Office**—Fargo, N. D. **Underwriter**—None.

American Mutual Investment Co., Inc.
Dec. 17 filed 490,000 shares of capital stock. **Price**—$10.20 per share. **Proceeds**—For investment in first trust notes, second trust notes and construction loans. Company may develop shopping centers and build or purchase office buildings. **Office** — 900 Woodward Bldg., Washington, D. C. **Underwriter** — None. Sheldon Magazine, 1201 Highland Drive, Silver Spring, Md., is President.

American Provident Investors Corp.
Feb. 15 filed 50,000,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds** — For working capital and general corporate purposes. **Office**—Dallas, Tex. **Underwriter**—Peoples Securities Co., J. D. Grey, of New Orleans, John S. Tanner, of Dallas, and C. L. Edmonds, of Houston, three of the 22 directors, are Chairman, Vice-Chairman and President, respectively.

• American Telephone & Telegraph Co. (2/7)
Dec. 31 filed $718,313,000 of 4¼% convertible debentures due March 12, 1973, convertible into common stock, beginning May 12, 1958, at a price of $142, representing $100 debenture and $42 cash, to be offered for subscription by stockholders of record Jan. 24, 1958 at rate of $100 principal amount of debentures for each nine shares held; rights to expire on March 12, 1958. Subscription warrants are expected to be mailed about Feb. 7. **Price** — 100% of principal amount. **Proceeds** — For advances to subsidiary and associated companies; for purchase of stock offered for subscription by such companies; for extensions, additions and improvements to company's own plant and for general corporate purposes. **Underwriter**—None. Statement effective Jan. 17.

• Anderson Electric Corp.
Dec. 23 (letter of notification) 14,700 shares of class B common stock (par $1). **Price**—$12 per share. **Proceeds**—To go to selling stockholders. **Office** — 700 N. 44th Street, Birmingham, Ala. **Underwriters** — Cruttenden, Podesta & Co., Chicago, Ill.; Odess, Martin & Herzberg, Inc., Birmingham, Ala.; Courts & Co., Birmingham, Ala.; Wayne Hummer & Co., Chicago, Ill.; and Merrill Lynch, Pierce, Fenner & Beane, Birmingham, Ala.

Anita Cobre U. S. A., Inc., Phoenix, Ariz.
Sept. 30 filed 85,000 shares of common stock. **Price**—At par ($3.75 per share). **Proceeds**—For investment in subsidiary and working capital. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

• Atlas Sewing Centers, Inc., Miami, Fla.
Jan. 6 filed $1,500,000 6½% convertible subordinated debentures, due 1973. **Price**—Par. **Proceeds**—To increase inventories, expansion, and reduce bank debt. **Underwriter**—Van Alstyne, Noel & Co., New York. **Offering**—Expected in about two weeks.

★ Barton Distilling Co., Chicago, Ill.
Jan. 28 filed $1,000,000 of secured notes due Oct. 1, 1962 (with warrants attached to purchase whiskey warehouse receipts. **Price**—To be supplied by amendment. **Proceeds**—To repay short-term bank loans of $400,000 and for working capital. **Underwriter**—Fulton Reid & Co., Inc., Cleveland, Ohio.

★ Black & Decker Manufacturing Co., Towson, Md.
Jan. 22 (letter of notification) 20,000 shares of common stock (par $1) to be offered ot employees pursuant to Employees Stock Purchase Plan. **Price**—At 90% of last bid. **Proceeds**—For working capital. **Underwriter**—None.

Blacksmith Shop Pastries Inc., Rockport, Mass.
Sept. 17 (letter of notification) $100,000 of 6½% debentures dated Sept. 16, 1957 and due Sept. 15, 1972 and 40,000 shares of capital stock (par $1) to be offered in units of one $50 debenture and 20 shares of capital stock. **Price**—$90 per unit. **Proceeds**—To retire mortgage notes and for working capital. **Underwriter**—Mann & Gould, Salem, Mass.

★ Blue Star Mining & Survey Corp.
Jan. 20 (letter of notification) 400,000 shares of common stock (par 15 cents). **Price**—25 cents per share. **Proceeds**—For mining expenses. **Office**—208 Collins Bldg., Colville, Wash. **Underwriter**—None.

Brunswick-Balke-Collender Co.
Dec. 20 filed 163,500 shares of common stock (no par) to be offered in exchange for outstanding common stock of MacGregor Sport Products, Inc. at rate of one share of BBC stock for each share of MacGregor stock. The offer is subject to acceptance by holders of at least 90% (147,150 shares) of outstanding MacGregor common (which condition may be waived by BBC if offer is accepted by at least 80% of outstanding MacGregor stock). Offer expires Feb. 4, 1958. **Underwriter**—None. Statement effective Jan. 13.

Cador Production Corp., Far Hills, N. J.
Dec. 16 filed 1,680,000 shares of common stock (par five cents), of which 1,600,000 shares are to be offered in exchange for oil properties located in Oklahoma, Texas, New Mexico, Louisiana, Kansas and elsewhere; the remaining 80,000 shares are to be issued as commissions. **Underwriter**—Cador, Inc., Far Hills, N. J.

★ California Electric Power Co. (2/27)
Jan. 23 filed $12,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co.; White, Weld & Co. **Bids**—Expected to be received up to 9 a.m. (PST) on Feb. 27 at offices of O'Melveny & Myers, Room 900, 433 So. Spring St., Los Angeles 13, Calif.

Camoose Uranium Mines of America, Inc.
Jan. 9 filed 3,000,000 shares of common stock (1 cent par), all owned by Camoose Mines Ltd., which is in liquidation and has equivalent amount of stock outstanding (1 cent par). When registration statement becomes effective, Camoose Mines will issue as a liquidating dividend, on a share-for-share basis, the 3,000,000 Canadian Uranium Mines shares it owns. **Office**—New York City. **Underwriter**—None.

Caribe Stores, Inc., Aguirre, Puerto Rico
Dec. 2 (letter of notification) 247,560 shares of common stock (par 50 cents) being offered for subscription by common stockholders of record Jan. 10 on a 1-for-3 basis; rights to expire on Feb. 5. **Price**—52 cents per share. **Proceeds** — For general corporate purposes. **Name Change** — Formerly Tybor Stores, Inc. **Underwriter**—Lerner & Co., Boston, Mass.

★ Central Illinois Public Service Co. (2/25)
Jan. 29 filed $15,000,000 of first mortgage bonds, series G, due Feb. 1, 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Salomon Bros. & Hutzler; Blair & Co., Inc.; Blyth & Co., Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Bids**—Expected Feb. 25.

Central Mortgage & Investment Corp.
Sept. 12 filed $5,000,000 of 20-year mortgage bonds and 500,000 shares of common stock (par five cents) to be offered in units of $100 of bonds and 10 shares of stock **Price**—$100.50 per unit. **Proceeds**—For purchase of first mortgages or to make first mortgage loans and for construction business. **Office**—Miami Beach, Fla. **Underwriter**—Aetna Securities Corp., New York. **Offering**—Date indefinite.

Central Power & Light Co. (2/4)
Jan. 6 filed $12,000,000 first mortgage bonds, series H, due Feb. 1, 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; Kidder, Peabody & Co.; Lehman Brothers and Glore, Forgan & Co. (jointly); Blyth & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler (jointly). **Bids**—Tentatively expected to be received up to 11:30 a.m. (EST) on Feb. 4.

★ Chenango & Unadilla Telephone Co.
Jan. 29 filed 20,000 shares of common stock (par $20) to be offered for subscription by common stockholders. **Price**—To be supplied by amendment. **Proceeds**—To repay short-term bank loans and for additions and improvements. **Underwriters** — W. E. Hutton & Co., New York; and Laird, Bissell & Meeds, Wilmington, Del.

Chess Uranium Corp.
May 14 (letter of notification) 600,000 shares of common stock (par $1—Canadian). **Price**—50 cents per share (U. S. funds). **Proceeds**—For exploration costs, etc. **Office**—5616 Park Ave., Montreal, Canada. **Underwriter**—Jean R. Veditz Co., Inc., 160 Broadway, New York.

Cleveland Electric Illuminating Co. (2/25)
Jan. 8 filed $30,000,000 first mortgage bonds due in 1993. **Proceeds**—Retire bank loans in amount of $9,500,000 and for construction program. Latter, for 1958, calls for $65,000,000 outlay, and over next five years total is approximately $280,000,000. **Underwriter**—To be determined by competitive bidding. Probable bidders—Halsey, Stuart & Co. Inc.; Blair & Co., Inc. and Baxter, Williams & Co. (jointly); Glore, Forgan & Co.; Blyth & Co., Inc.; The First Boston Corp.; White, Weld & Co.; Dillon Read & Co. Inc. **Bids**—Expected to be received up to noon (EST) on Feb. 25.

★ Columbian Financial Development Co., Inc. (N. Y.)
Jan. 27 filed $2,000,000 of single payment investment plans and $8,000,000 of systematic investment plans and systematic investment plans with insurance, both for the accumulation of shares of Atomic Development Mutual Fund, Inc.

Commerce Oil Refining Corp.
Dec. 16 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,000 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

Consolidated Cuban Petroleum Corp.
Dec. 30 filed 500,000 shares of common stock (par 20 cents) to be offered for subscription by common stockholders on the basis of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds** — For exploration activities and capital expenditures. **Office**—Havana, Cuba. **Underwriter**—H. Kook & Co., Inc., New York.

Consumer Finance Corp. of America (2/3-7)
Dec. 27 filed $1,000,000 of capital notes due Feb. 1, 1973 (with detachable class A common stock purchase warrants). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans and for working capital. **Change in Name**—Formerly People's Finance Corp. **Office**—Denver, Colo. **Underwriters**—Paul C. Kimball & Co., Chicago, Ill.

Continental Mining & Oil Corp.
Dec. 9 (letter of notification) 250,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—1500 Massachusetts Avenue, N. W., Washington, D. C. **Underwriter**—E. L. Wolfe Associates, 1511 K St., N.W., Washington, D. C.

Cooperative Grange League Federation, Inc.
Sept. 27 filed $600,000 of 4% subordinated debentures due Jan. 1, 1966; 10,000 shares of 4% cumulative preferred stock par $100; and 150,000 shares of common stock (par $5). **Price**—At principal amount or par value. **Proceeds**—To finance inventory purchases, to make capital loan advances to retail subsidiaries; to reduce bank loans; and for working capital. **Office** — Ithaca, N. Y. **Underwriter**—None.

Cubacor Explorers, Ltd.
Oct. 28 (letter of notification) 600,000 shares of common stock (par $1-Canadian). **Price**—50 cents per share-U. S. funds. **Proceeds** — For exploration and drilling costs. **Office** — Suite 607, 320 Bay St., Toronto, Ont., Canada. **Underwriter**—Stratford Securities Co., Inc., 135 Broadway, New York.

Disc, Inc., Washington, D. C.
Oct. 10 filed 400,000 shares of class A common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For investment. **Business**—Purchase and development of real property, and acquisition of stock of business enterprises. **Underwriter**—None. Irving Lichtman is President and Board Chairman.

• Dixon Chemical & Research, Inc.
Dec. 24 filed 165,625 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For expansion and general corporate purposes. **Office** — Clifton, N. J. **Underwriter**—P. W. Brooks & Co., Inc., New York. **Offering**—Not expected before March 1.

Doctors' Motels, Inc., Kansas City, Kan.
Oct. 25 filed 500,000 shares of common stock, of which 426,497 shares are to be offered publicly, 39,568 shares are to be offered in exchange for $432,055 outstanding 6% debentures, 3,085 shares are to be issued as a stock dividend and 30,850 shares are presently outstanding. **Price**—At par ($15 per share). **Proceeds**—For construction and operation of motels and to repay bank loans. **Underwriter**—None.

Durox of Minnesota, Inc., Denver, Colo.
Sept. 23 filed 750,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For capital expenditures and working capital. **Business** — Building material. **Underwriter**—American Underwriters, Inc., Englewood, Colo. Statement effective Dec. 11.

Electro Precision Corp., Arkadelphia, Ark.
Oct. 30 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—For office and laboratory equipment; inventory, working capital, etc. **Underwriter**—Nunn-Groves Co., Little Rock, Ark.

Ex-Cell-O Corp., Detroit, Mich.
Nov. 25 filed 88,000 shares of common stock (par $3) to be offered in exchange for common stock of Bryant Chucking Grinder Co. of Springfield, Va., at rate of four-tenths of an Ex-Cell-O share for each full Bryant share. Offer will become effective upon acceptance by holders of not less than 209,000 shares (95%) of all common stock of Bryant outstanding. **Underwriter**—None.

Expanded Shale Products Inc.
Nov. 26 (letter of notification) 60,000 shares of common stock (par $1) and $180,000 of 6% redeemable debentures maturing Dec. 15, 1967. **Price**—Of stock, $2 per share; of debentures, at par. **Proceeds**—For exploring and developing mineral properties with objective of producing

expanded shale. **Office**—728-29 Symes Bldg., Denver 2, Colo. **Underwriter**—Minor, Mee & Co., Albuquerque, N. M.

Famous Virginia Foods Corp.
Nov. 6 (letter of notification) 5,000 shares of common stock. **Price**—$6.67 per share. **Proceeds**—To selling stockholder. **Office**—922 Jefferson St., Lynchburg, Va. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

★ **Far West Oil & Exploration Co.**
Jan. 21 (letter of notification) 2,550 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For development of oil and gas property. **Office**—4638 N. E. 34th Ave., Portland 11, Ore. **Underwriter**—None.

First International Fire Insurance Co.
Aug. 26 (letter of notification) 100,000 shares of common stock (par $1). **Price** — $3 per share. **Proceeds** — For capital and surplus and for first year's deficit. **Office**—3395 S. Bannock St., Englewood, Colo. **Underwriter** — American Underwriters, Inc., Englewood, Colo.

First Leaseback Corp., Washington, D. C.
Nov. 27 filed 500,000 shares of class A common stock (par five cents). **Price** — $5 per share. **Proceeds** — To purchase properties. **Underwriter** — Whitmore, Bruce & Co., Washington, D. C.

Fluorspar Corp. of America
Dec. 26 filed 470,000 shares of common stock. **Price**—$3 per share. **Proceeds**—For exploration work and working capital. **Office**—Portland, Ore. **Underwriter**—To be named by amendment. Sol Goldberg is President.

Ford Home Leases, Inc.
Nov. 29 (letter of notification) $250,000 of 6% subordinated debentures due Jan. 1, 1968 and 12,500 shares of class A common stock (par $1) to be offered in units of a $100 debenture and five shares of stock. **Price**—$100 per unit. **Proceeds**—To repay $90,000 of notes and for general corporate purposes. **Business**—Financing of homes. **Office** — McDonough, N. Y. **Underwriter** — Philipson & Co., Utica, N. Y.

Forest Laboratories, Inc. (2/24)
Aug. 28 filed 200,000 shares of capital stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For sales promotion of company's products, working capital, additional inventory and accounts receivable, for research and development and for other general corporate purposes. **Office**—Brooklyn, N. Y. **Underwriters**—Alfred L. Powell Co., New York; and H. Carroll & Co., Denver, Colo.

Freeman Electric Construction Co., Inc.
Nov. 27 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To reduce accounts payable, etc., and for working capital and general corporate purposes. **Office** — New York. **Underwriter**—Harris Securities Corp., New York City.

NEW ISSUE CALENDAR

January 30 (Thursday)

Chicago & Northwestern Ry.______Equip. Tr. Ctfs.
(Bids noon CST) $2,145,000

Seaboard Air Line RR.______Equip. Trust Ctfs.
(Bids noon EST) $5,445,000

January 31 (Friday)

Young (Donald W.) & Son, Inc.______Debentures
(Sherry, Maloney & Co., Inc.) $75,000

February 3 (Monday)

Consumer Finance Corp. of America______Notes
(Paul C. Kimball & Co.) $1,000,000

Matheson Co. Inc.______Debentures
(Mohawk Valley Investing Co. Inc. and Security & Bond Co.) $299,000

Southwest Grease & Oil Co. Inc.______Common
(Small-Milburn Co.; Lathrop, Herrick & Clinger, Inc. and Brooks & Co. and Barret, Fitch, North & Co.) $273,498

February 4 (Tuesday)

Central Power & Light Co.______Bonds
(Bids 11:30 a.m. EST) $12,000,000

New York, Chicago & St. Louis RR.____Equip. Tr. Ctfs.
(Bids noon EST) $5,130,000

Tennessee Gas Transmission Co.______Common
(Stone & Webster Securities Corp and White, Weld & Co., jointly) 1,000,000 shares

Texas Utilities Co.______Common
(Bids 11 a.m. EST) 340,000 shares

February 7 (Friday)

American Telephone & Telegraph Co.____Debentures
(Offering to stockholders—no underwriting) $718,313,000

February 10 (Monday)

Shell Transport & Trading Co., Ltd.____Common
(Offering to holders of New York shares—no underwriting) $12,600,000

Southern Oxygen Co.______Debentures
(Johnston, Lemon & Co.) $1,500,000

February 11 (Tuesday)

General Motors Acceptance Corp.______Debentures
(Morgan Stanley & Co.) $150,000,000

Southern California Edison Co.______Preferred
(The First Boston Corp. and Dean Witter & Co.) 1,000,000 shares

February 12 (Wednesday)

Red Owl Stores, Inc.______Debentures
(Lehman Bros., J. M. Dain & Co. and Piper, Jaffray & Hopwood) $3,500,000

February 13 (Thursday)

Indiana & Michigan Electric Co.______Bonds
(Bids noon EST) $25,000,000

Southwest Gas Corp.______Common
(Eastman Dillon, Union Securities & Co.) 40,000 shares

February 17 (Monday)

Niagara Mohawk Power Co.______Preferred
(Harriman Ripley & Co. Inc.) $25,000,000

South Carolina Electric & Gas Co.______Common
(Offering to stockholders—to be underwritten by Kidder, Peabody & Co. Inc.) 365,693 shares

February 18 (Tuesday)

Gulf States Utilities Co.______Preferred
(Bids 11 a.m.) $7,500,000

Montreal Transportation Commission, Que.
Debentures
(Shields & Co., Halsey, Stuart & Co., White, Weld & Co., and Savard & Hart) $13,500,000

February 19 (Wednesday)

Norfolk & Western Ry.______Equip. Trust Ctfs.
(Bids noon EST) $4,140,000

Northern Illinois Gas Co.______Preferred
(First Boston Corp. and Glore, Forgan Co., jointly) $10,000,000

Spur Distributing Co.______Common
(Bids 11 a.m. EST) 73,039 shares

February 20 (Thursday)

Baltimore & Ohio RR.______Equip. Trust Ctfs.
(Bids noon EST) $3,435,000

Gulf Power Co.______Bonds
(Bids 11 a.m. EST) $8,000,000

New York State Electric & Gas Co.______Bonds
(Bids 11 a.m. EST) $25,000,000

February 24 (Monday)

Forest Laboratories, Inc.______Common
(Alfred L. Powell & Co. and H. Carroll & Co.) $500,000

Pennsylvania Electric Co.______Bonds
(Bids 11 a.m. EST) $29,000,000

February 25 (Tuesday)

Central Illinois Public Service Co.______Bonds
(Bids to be invited) $15,000,000

Cleveland Electric Illuminating Co.______Bonds
(Bids noon EST) $30,000,000

February 26 (Wednesday)

Southern New England Telephone Co.____Debens.
(Bids to be invited) $30,000,000

United Gas Corp.______Bonds
(Bids noon EST) $30,000,000

February 27 (Thursday)

California Electric Power Co.______Bonds
(Bids 9 a.m. PST) $12,000,000

Virginia & Southwestern RR.______Bonds
(Bids to be invited) $5,000,000

March 3 (Monday)

Iowa Public Service Co.______Bonds
(Bids to be invited) $10,000,000

March 4 (Tuesday)

Ohio Edison Co.______Bonds
(Bids to be invited) $30,000,000 to $35,000,000

Public Service Electric & Gas Co.______Preferred
(Merrill Lynch, Pierce, Fenner & Beane) $25,000,000

March 5 (Wednesday)

Iowa Illinois Gas & Electric Co.______Debentures
(Bids to be invited) $9,000,000

Union Electric Co.______Bonds
(Bids to be invited) $35,000,000

March 6 (Thursday)

Columbia Gas System______Debentures
(Bids to be invited) $25,000,000

March 10 (Monday)

Merrimack-Essex Electric Co.______Bonds
(Bids noon EST) $20,000,000

March 11 (Tuesday)

Indianapolis Power & Light Co.______Bonds
(Bids to be invited) $8,000,000 to $10,000,000

March 18 (Tuesday)

Carolina Power & Light Co.______Bonds
(Bids to be invited) $20,000,000

March 20 (Thursday)

Georgia Power Co.______Bonds
(Bids 11 a.m. EST) $21,500,000

April 16 (Wednesday)

Sierra Pacific Power Co.______Common
(Offering to stockholders) 57,362 shares

April 22 (Tuesday)

Consolidated Edison Co. of N. Y. Inc.______Bonds
(Bids to be invited) $50,000,000

April 23 (Wednesday)

Sierra Pacific Power Co.______Bonds
(Bids to be invited) $3,000,000

May 12 (Monday)

United Gas Improvement Co.______Bonds
(Bids to be invited) $12,000,000

June 3 (Tuesday)

Appalachian Electric Power Co.______Bonds
(Bids to be invited) $25,000,000

June 10 (Tuesday)

Virginia Electric & Power Co.____Bonds or Debs.
(Bids to be invited) $25,000,000

General Aniline & Film Corp., New York
Jan. 14 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). **Proceeds**—To the Attorney General of the United States. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co., Lehman Brothers and Glore, Forgan & Co. (jointly). **Bids**—Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

General Credit, Inc., Washington, D. C.
Aug. 17, 1956 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. **Price**—$500 per unit. **Proceeds**—For expansion and working capital. **Underwriter**—None named. Offering to be made through selected dealers. Application is still pending with SEC.

★ **General Motors Acceptance Corp. (2/11-18)**
Jan. 27 filed $150,000,000 of 21-year debentures due 1979. **Price**—To be supplied by amendment. **Proceeds**—For maturing debt and for purchase of receivables. **Underwriter**—Morgan Stanley & Co., New York. **Offering**—If accelerated, expected on Feb. 11.

Great Divide Oil Corp.
Oct. 11 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To pay balance on oil and gas properties, and unsecured notes and for drilling and working capital. **Office**—207 Newhouse Bldg., Salt Lake City, Utah. **Underwriter**—Birkenmayer & Co., Denver, Colo.

Great Northern Life Insurance Co.
Oct. 7 (letter of notification) 44,400 shares of common stock (par $1). **Price**—$6.75 per share. **Proceeds**—For capital stock and unassigned surplus. **Office** — 119 W. Rudisill Blvd., Fort Wayne, Ind. **Underwriter**—Northwestern Investment Inc., Fort Wayne, Ind.

Guardian Insurance Corp., Baltimore, Md.
Aug. 16 filed 300,000 shares of common stock, of which 200,000 shares are to be publicly offered and the remaining 100,000 shares reserved for issuance upon exercise of warrants which are to be sold at 25 cents per warrant to organizers, incorporators, management, and/or directors. **Price**—$10 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

★ **Gulf Power Co. (2/20)**
Jan. 24 filed $8,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; Kuhn, Loeb & Co.; Blyth & Co., Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler. **Bids**—To be received up to 11 a.m. (EST) on Feb. 20 at office of Southern Services, Inc., Room 1600, 250 Park Ave., New York 17, N. Y.

Gulf States Utilities Co. (2/18)
Jan. 15 filed 75,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on Feb. 18.

★ **Heritage Fund, Inc., New York**
Jan. 20 filed (by amendment) 200,000 additional shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment.

Hofmann Industries, Inc., Sinking Spring, Pa.
Dec. 20 filed 227,500 shares of common stock (par 25 cents) to be offered in exchange for outstanding common shares of Van Dorn Iron Works Co. **Underwriter**—None.

Home Owners Life Insurance Co.
Nov. 1 filed 50,000 shares of class A common stock to be offered to the public at $5 per share and 116,366 shares of class B common stock to be offered to stockholders at $6 per share at the rate of two new shares for each five shares held. **Proceeds**—For working capital. **Office**—Fort Lauderdale, Fla. **Underwriter**—None.

Horlac Mines, Ltd.
Nov. 20 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To repay loan, to purchase equipment and machinery and for working capital. **Office**—1551-A Eglinton Ave. West, Toronto 10, Ont., Canada. **Underwriter**—D'Amico & Co., Inc., Buffalo, N. Y

Indiana & Michigan Electric Co. (2/13)
Dec. 20 filed $25,000,000 of first mortgage bonds due 1988. **Proceeds** — For reduction of bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Harriman Ripley & Co. Inc.; The First Boston Corp.; Eastman Dillon, Union Securities & Co. **Bids**—To be received up to noon (EST) on Feb. 13 at 30 Church St., New York 8, N. Y.

★ **Institutional Financial Services Corp. (N. Y.)**
Jan. 20 filed $20,000,000 face amount of investment programs for the accumulation of shares of Institutional Growth Fund.

Janaf, Inc., Washington, D. C.
July 30 filed $10,000,000 of 5½-8% sinking fund debentures due Aug. 1, 1972 and 100,000 shares of common stock (par 20 cents) to be offered in units of a $1,000 debenture and 10 shares of stock, or a $100 debenture and one share of stock. **Price**—

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$2 per share for each 10 shares of Stock. **Proceeds**—For construction of a shopping center and other capital improvements; for retirement of present preferred shares; and for working capital, etc. **Underwriter**—None.

Koeller Air Products, Inc.
Nov. 25 (letter of notification) 150,000 shares of common stock (par five cents). **Price**—$2 per share. **Proceeds**—For capital expenditures, equipment, repayment of loans and working capital. **Business**—Welding and cutting equipment. **Office** — 253 Boulevard, Hasbrouck Heights, N. J. **Underwriter**—Pierre Rossini Co., Westwood, N. J.

★ **Laughlin Alloy Steel Co., Inc.**
Jan. 10 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For operating a steel mill. **Office**—710 South Fourth St., Las Vegas, Nev. **Underwriter** — Stauffer Petroleum Corp., Oklahoma City, Okla.

★ **Lefcourt Realty Corp., New York**
Jan. 29 filed 250,000 shares of common stock (par 25 cents). **Price**—To be supplied by amendment. **Proceeds**—For development of property in Florida. **Underwriter**—Frank M. Cryan Co., Inc., New York.

Lorain Telephone Co., Lorain, Ohio
Dec. 13 (letter of notification) 1,785 shares of common stock (no par) to be offered for subscription by common stockholders at the rate of one new share for each 60.4364 shares held. **Price**—$28 per share. **Proceeds**—For additions and improvements. **Office**—203 West 9th St., Lorain, Ohio. **Underwriter**—None.

● **Matheson Co., Inc. (2/3)**
Jan. 17 (letter of notification) $299,000 of 6% sinking fund debentures due 1978. **Price**—Of debentures, issued in denominations $1,000 and $500. **Proceeds**—Refunding of outstanding Bonds, Debentures and increase working capital. **Office**—932 Paterson Plank Rd., East Rutherford, N. J. **Underwriters**—Mohawk Valley Investing Co. Inc., Utica, N. Y.; Security & Bond Co., Lexington, Ky.

★ **McLaughlin Restaurant Corp.**
Jan. 24 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For operating a restaurant business. **Office**—Cheney Bldg., 139 N. Virginia St., Reno, Nev. **Underwriter**—None.

★ **Mercantile Acceptance Corp. of Calif.**
Jan. 17 (letter of notification) $21,000 of 6% 15-year debentures. **Price**—At par. **Proceeds**—For working capital. **Office**—333 Montgomery St., San Francisco, Calif. **Underwriter**—Guardian Securities Corp., San Francisco, Calif.

Mineral Basin Mining Corp.
Dec. 30 (letter of notification) 200,000 shares of common stock. **Price** — At par ($1 par value). **Proceeds** — For mining expenses. **Office** — 1710 Hoge Bldg., Seattle 4, Wash. **Underwriter**—None.

● **Minneapolis Gas Co.**
Jan. 2 filed 166,070 shares of common stock (par $1) being offered for subscription by common stockholders at the rate of one new share for each 10 shares held as of Jan. 23, 1958; rights to expire on Feb. 5, 1958. **Price**—$22.25 per share. **Proceeds**—For property additions. **Underwriter**—Kalman & Co., Inc., Minneapolis, Minn.

★ **Montreal Transportation Commission**
Jan. 29 filed $13,500,000 of sinking fund debentures due Feb. 15, 1978 (guaranteed by City of Montreal). **Price**—To be supplied by amendment. **Proceeds**—To purchase new autobuses, construct new garage and for improvements and new equipment. **Underwriters**—Shields & Co.; Halsey, Stuart & Co. Inc.; White, Weld & Co.; and Savard & Hart; all of New York.

Motel Co. of Roanoke, Inc., Roanoke, Va.
Nov. 18 (letter of notification) 60,000 shares of common stock (par 40 cents). **Price**—$5 per share. **Proceeds**—For purchase of land, construction and working capital. **Underwriter**—Southeastern Securities Corp., New York.

Motel Corp. of Italy
Jan. 14 filed 20,000 shares of class A common stock and 10,000 shares of 7% cumulative convertible preferred, to be sold publicly at a unit price of $101, representing one share of preferred and two shares of common. **Proceeds**—To be invested in the stock of Motels Americano, an Italian organization. **Office**—Silver Springs, Maryland. **Underwriter**—None.

Multnomah Kennel Club, Fairview, Ore.
Dec. 26 filed $250,000 of 10% unsecured debentures and 400,000 shares of class A non-voting common stock (par $1) to be offered in units of $250 of debentures and 400 class A shares. **Price** — $910 per unit. **Proceeds** — To repay bank loans and short-term unsecured notes. **Underwriter** — Stone, Moore & Co., Inc.; Denver, Colo. **Offering**—Expected early in February.

Municipal Investment Trust Fund, Inc. (N. Y.)
May 9 filed 5,000 units of undivided interests in Municipal Investment Trust Fund, Series A. **Price**—At market. **Proceeds**—For investment. **Sponsor**—Ira Haupt & Co., New York.

★ **Mutual Investment Fund, Inc., New York**
Jan. 24 filed (by amendment) 300,000 additional shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

National Biochemicals, Inc.
Sept. 10 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For cost of plant and inventory and for general corporate purposes. **Office**—Room 202 Houston Title Bldg., Houston, Tex. **Underwriter**—Scott Taylor & Co., Inc., New York, N. Y.

National Bowlero, Inc., Cleveland, O.
Dec. 4 filed $900,000 of 5% 10-year debenture bonds, 9,000 shares of 4% non-cumulative preferred stock (par $100) and 15,000 shares of common stock (par $10) to be offered in units of $9,000 of bonds, 90 shares of preferred stock and 150 shares of common stock. **Price**—$19,500 per unit. **Proceeds**—For erection and operation of two bowling sports centers. **Underwriter**—None. William N. Skirball is President.

Natural Gas Pipeline Co. of America
Nov. 19 filed $40,000,000 of first mortgage pipeline bonds due 1977. **Price**—To be supplied by amendment. **Proceeds** — To reduce bank loans. **Underwriters** — Dillon, Read & Co. Inc. and Halsey, Stuart & Co. Inc., both of New York. **Offering**—Temporarily postponed.

★ **New York State Electric & Gas Co. (2/20)**
Jan. 24 filed $25,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc.; The First Boston Corp. and Glore, Forgan & Co. (jointly); Harriman Ripley & Co. Inc. **Bids**—Tentatively scheduled to be received by this company up to 11 a.m. (EST) on Feb. 20.

Nichols, Inc., Exeter, N. H.
Nov. 14 filed 25,000 shares of common stock (no par). **Price**—$27 per share. **Proceeds**—To repay short term bank loans and for working capital. **Business** — Sells hatching eggs and day-old chicks. **Underwriter**—None. George E. Coleman, Jr., is President.

North American Contracting Corp.
Dec. 27 (letter of notification) 169,500 shares of common stock (par 10 cents). **Price**—$1.75 per share. **Proceeds**—For working capital and expansion. **Office**—1526 Connecticut Ave., N. W. Washington 6, D. C. **Underwriters**—The Matthew Corp., Washington, D. C. and Ross Securities, Inc., New York, N. Y.

North American Finance Co., Phoenix, Ariz.
Nov. 27 filed 300,000 shares of class B common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital and other corporate purposes. **Underwriter**—None. Sales to be made through Eugene M. Rosenson, President, and Marcus T. Baumann, Vice-President and Treasurer.

● **Northern Natural Gas Co.**
Jan. 10 filed 456,813 shares of common stock ($10 par value) being offered for subscription by stockholders of record Jan. 28, on the basis of one new share for each eight shares then held (with an oversubscription privilege); rights to expire Feb. 11. **Proceeds**—Completion of payment of 1957 construction expenditures, including repayment of remaining bank loans incurred for that purpose, also acquisition of distribution properties and purchase of securities issued by subsidiaries for their construction costs. Of the $105,000,000 construction outlays planned by company and subsidiaries in 1957 approximately $39,000,000 were not made and have been re-scheduled for 1958. **Price**—$47.75 per share. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

Nuclear Science & Engineering Corp.
Sept. 20 filed 100,000 shares of common stock (par 25 cents). **Price**—To be supplied by amendment. **Proceeds**—To prepay indebtedness to Norden-Ketay Corp., to purchase additional equipment and for working capital **Underwriter**—Hayden, Stone & Co., New York. **Offering**—Temporarily postponed because of market conditions.

Oil & Mineral Operations, Inc.
Nov. 4 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For development of oil and mineral properties. **Office**—208 Wright Bldg., Tulsa, Okla. **Underwriter**—Universal Securities Co., 201 Enterprise Bldg., Tulsa 3, Okla.

Pan American Tool Co., Houston, Texas
Oct. 28 filed 165,000 shares of common stock (par $1), to be offered in blocks of not less than 3,000 shares. **Price**—To be supplied by amendment. **Proceeds** — To discharge trade accounts payable, to buy tools and equipment and for working capital. **Underwriter**—None.

Pennsylvania Electric Co. (2/24)
Jan. 16 filed $29,000,000 first mortgage bonds, due March 1, 1988. **Proceeds**—To be used, along with proceeds of previously-authorized sale of 500,000 shares of common stock to parent company, for repayment of short-term notes issued to finance 1957 construction program and to pay part of $41,500,000 construction outlay scheduled for 1958. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly); Equitable Securities Corp.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly). **Bids**—Tentatively scheduled to be received up to 11 a.m. (EST) on Feb. 24.

Peoples Security Investment Co.
Oct. 28 filed 1,000,000 preorganization subscriptions to class A voting common stock and 250,000 preorganization subscriptions to class B non-voting common stock to be offered in units of four class A shares and one class B share, the purchaser agreeing to donate each class B share to the Peoples Security Foundation for Christian Education, to be incorporated as a non-profit corporation. **Price**—$2 per share. **Proceeds** — For capital and surplus to finance a proposed insurance company to be named Peoples Security & Endowment Co. of America. **Office** — Montgomery, Ala. **Underwriter** — None. T. J. Patterson is President.

Pittsburgh Brewing Co., Pittsburgh, Pa.
Nov. 15 filed $5,646,750 of 5% sinking fund income subordinated debentures due Oct. 31, 1992; 112,935 shares of common stock (par $1); and 451,740 warrants to purchase 451,740 additional shares of common stock being offered in units of $50 of debentures, one common share, warrants to purchase four common shares plus $1 in cash. These units are to be issued in exchange for each outstanding share of preferred stock (par $25) plus accrued dividends. The offer will expire on Jan. 31, 1958. **Purpose**—To eliminate or reduce preferred dividend arrearages. **Underwriter**—None. Statement effective Dec. 13.

Pleasant Valley Oil & Mining Corp.
Sept. 30 (letter of notification) 2,000,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds** — For geological studies, reserve for contingent liability, for machinery and equipment and other reserves. **Office** — 616 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Steven Randall & Co., Inc., New York.

● **Polytronic Research, Inc.**
Nov. 4 (letter of notification) 80,000 shares of common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For equipment and research, development program and working capital. **Office**—4130 Howard Ave., Kensington, Md. **Underwriters**—First Washington Corp. and The Stanford Corp., both of Washington, D. C. **Change of Name**—Formerly Acme Tool & Engineering Corp. Letter subsequently withdrawn.

● **Ponce Hotel Corp., San Juan, P. R.**
Dec. 12 filed 1,590 shares of 6% cumulative preferred stock, series A (par $100), 12,410 shares of 6% cumulative preferred stock, series AA (par $100) and 364,000 shares of common stock (par $1) to be offered in units of one preferred share and 26 common shares. **Price** — $126 per unit. **Proceeds** — Together with proceeds of debt financing, will be used to purchase hotel site, construction, furnishing and equipment of the hotel. **Underwriter** — Compania Financiera de Inversiones, Inc., San Juan, P. R. Statement effective Jan. 17.

Professional Life & Casualty Co., Champaign, Ill.
Dec. 16 filed 120,000 shares of common stock. **Price**—$15 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

● **Public Service Electric & Gas Co. (3/4)**
May 29 filed 250,000 shares of cumulated preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans and for new construction. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York. Negotiations to sell these securities were discontinued last June because of unsettled market conditions at that time, but have now been resumed.

Public Savings Life Insurance Co.
Nov. 29 filed 113,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—To Public Savings Insurance Co., the selling stockholder. **Office**—Charleston, S. C. **Underwriter**—None.

Red Owl Stores, Inc. (2/12)
Jan. 20 filed $3,500,000 of convertible subordinated debentures due 1978. **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriters**—Lehman Brothers; J. M. Dain & Co., Inc.; and Piper, Jaffray & Hopwood.

● **Reichhold Chemcials, Inc.**
Oct. 10 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For expansion program and working capital. **Underwriter**—Blyth & Co., Inc., New York. **Offering**—Postponed temporarily.

Resolute Bay Trading Co., Ltd.
Oct. 29 (letter of notification) 30,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For working capital, etc. **Business**—Purchase and sale of commodities. **Office**—St. John, N. B., Canada. **Underwriter**—Irving Weis & Co., New York.

Resolite Corp., Zelienople, Pa.
Dec. 6 filed 20,000 shares of common stock to be offered for subscription by stockholders of record Dec. 1, 1957 in the ratio of 3½ new shares for each 10 shares held; unsubscribed shares to be offered to public. **Price**—$10 per share. **Proceeds**—To pay $100,000 outstanding obligations and for improvement and rehabilitation of plant and facilities. **Business**—Fiberglass panels. **Underwriter**—None.

Rocky Mountain Quarter Racing Association
Oct. 31 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To repay outstnding indebtedness. **Office** — Littleton, Colo. **Underwriter**—R. B. Ford Co., Windover Road, Memphis, Tenn.

Royal Dutch Petroleum Co.
Dec. 20 filed 7,602,285 shares of capital stock being offered for subscription by stockholders of record Jan. 17, 1958 on the basis of one new share for each eight shares held; rights to expire on Feb. 10. **Price** — $30 or 114 guilders per share. **Proceeds**—To be made availale to the Royal-Shell Group of companies for their capital and exploration expenditure programs. **Underwriter**—Morgan Stanley & Co., New York, heads list of American underwriters.

Schering Corp., Bloomfield, N. J.
Sept. 19 filed 278,983 shares of 5% cumulative convertible preferred stock (par $30) and 418,475 shares of common stock (par $1) to be issued in exchange for stock of White Laboratories, Inc. (which is to be merged with Schering Corp. effective Sept. 19, 1957) on the basis of one share of preferred stock and 1½ shares of common stock for each White class A or class B common share held. **Underwriter**—None.

Scientific Industries, Inc.
Dec. 27 (letter of notification) $120,000 6% convertible sinking fund debentures, due Feb. 1, 1968, convertible, except as provided in case of redemption, into common

stock (5 cent par value) at a price of $1 per share. **Price**—At par. **Proceeds** — For expansion of plant in the manufacture of laboratory and scientific instruments and to build up company's new electronics division. **Office** — 15 Park St., Springfield, Mass. **Underwriter** — Willis E. Burnside & Co., Inc., New York City.

Sentinel Security Life Insurance Co.
Nov. 27 filed 5,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—Salt Lake City, Utah. **Underwriter**—None.

● **"Shell" Transport & Trading Co., Ltd. (2/10)**
Dec. 20 filed a maximum of $12,600,000 of New York Shares (representing a like amount of ordinary shares) being offered for subscription by holders of ordinary shares, including stock represented by New York shares of record Jan. 17, 1958, on a 1-for-10 share basis; rights to expire March 3. This represents 10% of the total offering by the company, which 10% is to be offered for subscription by American residents. **Price**—5 pounds, ten shillings; $15.40 at current official exchange rate. **Proceeds** — For exploration programs. **Underwriter** — None in the United States. Statement effective Jan. 20.

Sheraton Properties, Inc., Boston, Mass.
Dec. 30 filed $950,000 of first mortgage sinking fund bonds due Dec. 1, 1973. **Price**—At par. **Proceeds**—To repay indebtedness. **Underwriter** — Sheraton Securities Corp., a subsidiary.

Shopping Centers Corp., Pittsburgh, Pa.
Dec. 17 filed 50,000 shares of common stock (par $2.50) and $2,500,000 of debenture bonds to be offered in units of one share of stock and one $50 bond. **Price**—$52.65 per unit. **Proceeds** — For construction, ownership and management of shopping centers, luxury hotels and other commercial property. **Underwriter** — None. Offering to be made through Akiba Zilberberg, 5857 Phillips Ave., Pittsburgh 19, Pa., the company's President.

Simplicity Pattern Co. Inc.
Oct. 10 filed 155,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To two selling stockholders. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering** — Indefinitely postponed.

★ **Southern California Edison Co. (2/11)**
Jan. 27 filed 1,000,000 shares of cumulative preferred stock (par $25). **Price** — To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—The First Boston Corp., New York; and Dean Witter & Co., Los Angeles, Calif.

Southern Electric Steel Co.
Dec. 23 (letter of notification) $300,000 of 6% second mortgage serial bonds (with common stock purchase warrants). **Price**—At par (in denominations of $1,000 each). **Proceeds**—For payment of demand notes payable and working capital. **Office**—2301 Huntsville Road, Birmingham, Ala. **Underwriter**—None.

● **Southern Oxygen Co. (2/10-14)**
Jan. 20 filed $1,500,000 convertible subordinated debentures due in 1968. **Proceeds**—Purchase of equipment and new capital. **Price**—To be supplied by amendment. **Underwriter**—Johnston, Lemon & Co., Washington, D. C.

★ **Southwest Gas Corp. (2/13)**
Jan. 22 filed 40,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To repay short-term bank loans and for construction program. **Underwriter** — Eastman Dillon, Union Securities & Co., New York.

● **Southwest Grease & Oil Co., Inc. (2/3)**
Jan. 17 (letter of notification) 35,290 shares of common stock (par $7.50) to be offered for subscription by common stockholders about Feb. 3 on a 1-for-4 basis. **Price**—$7.75 per share. **Proceeds**—For the acquisition of Battenfeld Grease & Oil Corp. **Office** — 220 W. Waterman St., Wichita, Kan. **Underwriters** — Small-Milburn Co.; Lathrop, Herrick & Clinger, Inc.; and Brooks & Co. of Wichita, Kan. and Barret, Fitch, North & Co., Kansas City, Mo.

Sovereign Resources, Inc.
Nov. 19 (letter of notification) 1,500 shares of 7% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For construction, payment of promissory note and working capital. **Office**—3309 Winthrop St., Fort Worth, Tex. **Underwriter**—Reilly, Hoffman & Sweeney, Inc., New York, N. Y. **Offering**—Delayed.

● **Stuart-Hall Co., Inc., Kansas City, Mo.**
Nov. 27 filed $650,000 of 20-year 6% convertible debentures due Dec. 15, 1977. **Price**—At par (in denominations of $1,000 each). **Proceeds**—For working capital and to reduce bank loans. **Underwriter**—White & Co., St. Louis, Mo. **Offering**—Expected this week.

Superior Commercial Corp., New York
Sept. 16 filed 256,300 shares of class A common stock (par one cent), of which 233,000 shares are to be sold for account of the company and 23,300 shares for the account of Ben Degaetano, President of the underwriter. **Price**—$1.50 per share. **Proceeds**—For working capital to be used in realty financing activities. **Former Name**—Allstate Commercial Corp. **Underwriter**—Midland Securities, Inc., New York.

Surinam Corp., Houston, Tex.
Oct. 21 filed 10,000,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For exploration and exploitation of oil, gas and sulphur properties **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Tex.

Tax Exempt Bond Fund, Inc., Washington, D. C.
June 20 filed 40,000 shares of common stock. **Price**—$25 per share. **Proceeds** — For investment. **Underwriter**—Equitable Securities Corp., Nashville, Tenn. **Offering**—Held up pending passing of necessary legislation by Congress.

Taylor Instrument Companies
Oct. 1 filed 99,195 shares of common stock (par $10) to be offered for subscription by common stockholders on the basis of one new share for each four shares held **Price**—To be supplied by amendment. **Proceeds** — To retire short term bank loans and for working capital and general corporate purposes. **Office** — Rochester, N. Y **Underwriter**—The First Boston Corp., New York. **Offering**—Indefinitely postponed.

Tekoil Corp., Dallas, Texas
Dec. 9 filed 677,408 shares of common stock, of which 377,408 shares are to be issued for the account of selling stockholders and the remaining 300,000 shares issued from time to time in exchange for oil and gas properties. Of the 377,408 shares, 132,558 shares, 61,392 shares and 47,606 shares, respectively, are to be issued as dividends to stockholders of Texolina Oil Co., Mountain Valley Oil Corp. and Trigg Drilling Co.; while 57,239 are to be offered immediately to the public, while the balance of 78,613 shares are to be similarly offered in the near future. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—None.

● **Tennessee Gas Transmission Co. (2/4)**
Jan. 15 filed 1,000,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To repay short-term bank loans. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co., both of New York.

Texam Oil Corp., San Antonio, Texas
May 29 filed 300,000 shares of common stock (par $1), to be offered for subscription by common stockholders on a basis of two new shares for each share held. **Price**—To be supplied by amendment. **Proceeds**—To repay indebtedness, for acquisition and exploration of oil and gas leases, for drilling and completion of wells, and for other corporate purposes. **Underwriter**—None.

Texas Utilities Co. (2/4)
Jan. 9 filed 340,000 shares of common stock (no par value). **Proceeds** — For construction program of subsidiaries, estimated at $78,271,000 in 1958 and $92,763,000 in 1959. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly); The First Southwest Corp., Rauscher, Pierce & Co. and Dallas Securities Co. (jointly); Lehman Bros. and Bear, Stearns & Co. (jointly); Eastman Dillon, Union Securities & Co. **Bids**—Expected to be received up to 11 a.m. (EST) on Feb. 4.

● **Thrift Investment Corp.**
Dec. 27 (letter of notification) 38,642 shares of common stock (par $1) being offered for subscription by common stockholders of record Jan. 8, 1958, on the basis of one new share for each seven shares then held; warrants to expire on Feb. 7, 1958. **Price**—$6.15 per share. **Proceeds**—For working capital and surplus. **Office**—2 Gateway Center, Pittsburgh 22, Pa. **Underwriter**—McKelvy & Co., Pittsburgh, Pa.

Tourist Industry Development Corp. Ltd.
Jan. 14 filed $2,250,000 7% perpetual subordinated debentures (4% fixed interest and 3% of earned), to be sold at par in denominations of $1,000 and multiples thereof. **Proceeds**—To acquire mortgages or other liens on real estate, also for loans to or invested in hotels, resorts or inland transport. **Office**—Jerusalem, Israel. **Underwriter**—None.

Town & Country Securities Corp.
Dec. 20 filed 250,000 shares of common stock (no par). **Price**—$4 per share. **Proceeds** — For working capital. **Office**—442 W. California Road, Fort Wayne, Ind. **Underwriter**—None.

Trans-America Uranium Mining Corp.
Nov. 6 filed 3,000,000 shares of common stock (par one mill). **Price**—25 cents per share. **Proceeds**—For land acquisition, exploratory work, working capital, reserves, and other corporate purposes. **Underwriter**—None. Alfred E. Owens of Waterloo, Ia., is President.

Trask Manufacturing Co.
Dec. 5 (letter of notification) 15,000 shares of common stock (par $5). **Price** — $4.50 per share. **Proceeds** — For working capital and payment of current liabilities. **Address**—Wrightsboro section, 3 miles north of Wilmington, N. C. **Underwriter** — Selected Investments, Wilmington, N. C.

Ulrich Manufacturing Co.
Sept. 24 filed $600,000 of 6% sinking fund debentures and 30,000 shares of class A common stock (par $1) to be offered in units of $500 of debentures and 25 shares of stock. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans, to repay all or part of an outstanding 5% term loan and/or provide additional working capital. **Office**—Roanoke, Ill. **Underwriter**—White & Co., St. Louis, Mo., on a best-efforts basis.

United States Sulphur Corp.
Oct. 8 filed 1,500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For plant rental, etc.; to retire corporate notes; for core drilling; for working capital; and for other exploration and development work. **Office** — Houston, Texas. **Underwriter** — None.

Uranium Corp. of America, Portland, Ore.
April 30 filed 1,250,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

Washington National Development Corp.
Oct. 2 (letter of notification) 50,000 shares of common stock (par $1) of which 34,280 shares are to be offered publicly at $1.20 per share and 15,720 shares are to be offered to certain individuals under options. **Proceeds**—For general corporate purposes. **Office** — 3612 Quesada St., N. W., Washington, D. C. **Underwriter**—Wagner & Co., New York City.

Western Copperada Mining Corp. (Canada)
Aug. 30 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For development and exploratory work, drilling costs and survey, and for working capital. **Office** — 1205 Phillips Square, Montreal, Canada. **Underwriter**—Jean R. Veditz Co., Inc., New York.

Worldmark Press, Inc.
Dec. 20 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—207 East 43rd Street, New York, N. Y. **Underwriter**—J. A. Winston & Co., Inc., New York.

Young (Donald W.) & Son, Inc. (1/31)
Nov. 14 (letter of notification) $75,000 of 10-year 6% debentures due Oct. 1, 1967, with common stock warrants to purchase 7,500 shares of 10-cent par common stock at $1 per share. **Price**—$100 per unit of a $100 debenture and one warrant. **Proceeds**—To repay short term debt and for working capital. **Office**—Stockholm, N. Y. **Underwriter** — Sherry, Maloney & Co., Inc., New York.

Prospective Offerings

American Electronics, Inc.
Dec. 30 it was reported company plans to sell approximately $3,500,000 convertible debentures. **Underwriters**—To be determined by competitive bidding. Probable bidders: Van Alstyne, Noel & Co. and Crowell, Weedon & Co. (jointly). **Offering**—Expected in March.

Appalachian Electric Power Co. (6/3)
Dec. 2, it was reported that this company, a subsidiary of American Gas & Electric Co., plans to issue and sell $25,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Eastman Dillon, Union Securities & Co. (jointly); Harriman Ripley & Co. Inc. **Bids**—Tentatively expected to be received on June 3.

★ **Associates Investment Co.**
Jan. 23 it was reported company plans to issue and sell some additional debentures (amount not yet determined). **Underwriters** — Salomon Bros. & Hutzler and Lehman Brothers, both of New York. **Offering**—Expected before July 1.

Atlantic City Electric Co.
Jan. 20 it was reported company plans to issue and sell in 1958 $10,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp. and Drexel & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly).

● **Baltimore Gas & Electric Co.**
Jan. 16 it was reported company may issue and sell about $30,000,000 of first mortgage bonds early in March. **Proceeds**—For construction program. **Underwriter** — For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and The First Boston Corp. (jointly); Harriman Ripley & Co. Inc. and Alex. Brown & Sons (jointly); Kuhn, Loeb & Co. **Registration**—Expected early in February.

Baltimore & Ohio RR. (2/20)
Bids will be received by the company at 2 Wall St., New York 5, N. Y., up to noon (EST) on Feb. 20 for the purchase from it of $3,435,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ **Boston Edison Co.**
Jan. 27 it was reported company may issue and sell in the second or third quarter of this year some additional first mortgage bonds and preferred stock. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—For bonds to be determined by company, with prospective bidders including Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co.; Lehman Brothers and Harriman Ripley & Co. Inc. (jointly). For preferred stock, The First Boston Corp., New York.

Brooklyn Union Gas Co.
Nov. 25 it was announced that company expects to issue and sell $22,000,000 of first mortgage bonds next April or May. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co., Inc., and F. S. Moseley & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co. Inc. and The First Boston Corp. (jointly); White, Weld & Co.

★ **Carolina Power & Light Co. (3/18)**
Jan. 22 it was announced that company plans to issue and sell $20,000,000 of first mortgage bonds due 1988. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly); Equitable Securities Corp. **Bids**—Tentatively scheduled to be received on March 18.

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★ Central Hudson Gas & Electric Corp.
Jan. 22 it was reported company plans to issue and sell in June or July 1958 $18,000,000 of first mortgage bonds. This may be done privately.

★ Central Illinois Light Co.
Jan. 22 it was announced stockholders will vote March 27 on increasing the authorized preferred stock (par $100) from 250,000 shares to 500,000 shares. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

Chicago District Pipeline Co.
Nov. 12 it was announced company plans to sell about $5,000,000 of first mortgage bonds sometime after the turn of the year. **Proceeds**—To repay advances made by Peoples Gas Light & Coke Co., the parent. **Underwriters**—Probably Dillon, Read & Co. Inc. and Halsey, Stuart & Co. Inc.

Chicago & North Western Ry. (1/30)
Bids are expected to be received by the company up to noon (CST) on Jan. 30 for the purchase from it of $2,145,000 equipment trust certificates to mature annually from Jan. 1, 1959 to 1973, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Chicago Rock Island & Pacific RR.
Dec. 18 it was announced company plans to issue and sell in late Spring of 1958 between $16,000,000 to $20,000,000 first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Eastman Dillon, Union Securities & Co. and Blyth & Co. (jointly); First Boston Corp.; Kuhn, Loeb & Co.

Cincinnati Gas & Electric Co.
Nov. 8 it was reported company plans in 1958 to sell about $15,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and W. E. Hutton & Co. (jointly); Blyth & Co. Inc. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Lehman Bros. (jointly); Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly).

Citizens & Southern National Bank of Savannah, Ga.
Jan. 15 it was reported Bank plans to offer to its stockholders the privilege of subscribing for 100,000 additional shares of capital stock in about 60 days. **Underwriter**—None.

Columbia Gas System, Inc. (3/6)
Dec. 23 it was reported company plans to issue and sell $25,000,000 of 25-year debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Morgan Stanley & Co.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly). **Bids**—Tentatively expected to be received on March 6.

Columbus & Southern Ohio Electric Co.
Dec. 9 it was reported company plans to issue and sell in 1958 about 250,000 shares of common stock. **Underwriters** — Dillon, Read & Co. Inc. and The Ohio Co. (jointly).

• Consolidated Edison Co. of N. Y., Inc. (4/22)
Jan. 28 directors authorized an issue of $50,000,000 first and refunding mortgage bonds. **Proceeds**—To repay bank loans. **Underwriter**—To be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—To be received on April 22.

Consolidated Natural Gas Co.
Company reportedly plans to issue and sell approximately $45,000,000 debentures. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly); Morgan Stanley & Co. and First Boston Corp. (jointly).

Delaware County National Bank, Chester, Pa.
Jan. 15 Bank offered to its stockholders of record Jan. 14 the right to subscribe on or before Feb. 4 for 11,000 additional shares of capital stock on a 1-for-10 basis (with an oversubscription privilege). **Price** — $30 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Drexel & Co., Philadelphia, Pa.

★ Delaware Power & Light Co.
Jan. 22 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Eastman Dillon, Union Securities & Co.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly). **Offering**—Expected in June.

Duquesne Light Co
Dec. 12 it was reported company plans to issue and sell around $15,000,000 of first mortgage bonds due 1988. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co.; Glore, Forgan & Co.; Kuhn, Loeb & Co.; Eastman Dillon, Union Securities & Co., and A. C. Allyn & Co. Inc. (jointly); Drexel & Co. and Equitable Securities Corp. (jointly). **Offering**—Planned in first half of 1958.

Florida Power & Light Co.
Jan. 20 it was reported company may issue and sell between $15,000,000 and $25,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); The First Boston Corp.

General Telephone Co. of California
Jan. 16 it was reported company plans to issue and sell $20,000,000 of first mortgage bonds, probably this Summer. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp.

Georgia Power Co. (3/20)
Dec. 6 it was announced company plans to issue and sell $21,500,000 of first mortgage bonds due 1988. **Proceeds**—To finance construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lehman Brothers; The First Boston Corp.; Blyth & Co., Inc., Kidder, Peabody & Co. and Shields & Co. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Scheduled to be received up to 11 a.m. (EST) on Feb. 20. **Registration**—Planned for Feb. 21.

Gulf, Mobile & Ohio RR.
Dec. 20 ICC granted company permission to issue $28,343,800 of 5% income debentures to mature Dec. 1, 2056, in exchange for the 283,438 shares of outstanding $5 preferred stock (no par) on the basis of $100 of debentures for each preferred share. Offer expires Feb. 14, 1958, but may be extended. **Underwriter**—None.

Illinois Power Co.
Jan. 20 it was reported company may issue around $20,000,000 to $30,000,000 of first mortgage bonds during 1958. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp.; Harriman Ripley & Co. Inc.

Indianapolis Power & Light Co. (3/11)
Jan. 6 it was announced that company expects to issue and sell $8,000,000 to $10,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; White, Weld & Co. and Shields & Co. (jointly); Blyth & Co.; Kuhn, Loeb & Co.; Lehman Brothers and Goldman, Sachs & Co. and First Boston Corp. (jointly); Equitable Securities Corp. **Bids**—Expected March 11.

Iowa Illinois Gas & Electric Co. (3/5)
Dec. 9 it was announced company plans to issue and sell $9,000,000 of debentures (probably convertible). **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Glore, Forgan & Co.; The First Boston Corp.; Harriman, Ripley & Co. Inc., Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Equitable Securities Corp.; Blyth & Co. **Bids**—Expected on March 5. **Registration**—Planned for Feb. 5.

Iowa Public Service Co. (3/3)
Dec. 18 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Blair & Co. Inc.; White, Weld & Co.; The First Boston Corp., Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Kidder, Peabody & Co. and Blyth & Co. (jointly). **Bids**—Expected to be received on March 3.

★ Kentucky Utilities Co.
Jan. 21 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Lee Higginson Corp.; Equitable Securities Corp.; Eastman Dillon, Union Securities & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Kuhn, Loeb & Co. **Offering**—Expected in September or October.

★ Kentucky Utilities Co.
Jan. 21 it was also reported that company may offer approximately 165,000 additional shares of its common stock to its common stockholders on a 1-for-15 basis. **Underwriters**—Blyth & Co., Inc. and J. J. B. Hilliard & Son.

Litton Industries, Inc.
Dec. 14 stockholders approved the creation of an issue of 16,000 shares of $100 par preferred stock and an increase in the authorized common stock from 2,000,000 to 3,500,000 shares. **Underwriters** — Lehman Brothers and Clark, Dodge & Co. handled last equity financing which was done privately.

Louisiana Power & Light Co.
Dec. 16, it was announced company may borrow $11,500,000 from banks pending a final financing program relating to the disposition of its gas properties to Louisiana Gas Service Co., a new company.

Merrimack-Essex Electric Co. (3/10)
Jan. 20 company announced intention to issue $20,000,000 series C first mortgage bonds, due in 1988. **Proceeds**—To redeem like amount of series B 5⅝s of 1987. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and White, Weld & Co., (jointly); Halsey, Stuart & Co. Inc., and First Boston Corp. **Bids**—To be opened at noon on March 10. **Registration**—Expected early in February.

Missiles-Rockets-Jets & Automation Fund, Inc.
On Jan. 7 this new fund registered under the Investment Company Act of 1940. Plans to issue $15,000,000 common stock, of which $7,500,000 will be underwritten on a firm basis by Ira Haupt & Co. **Price**—$10. **Proceeds**—For investment. **Technological Advisors**—Include Dr. Theodore von Karman, Chairman of the advisory group for aeronautical research and development of NATO.

Mississippi Power & Light Co.
Dec. 4 it was announced company plans to issue and sell, probably in May or June of 1958, $10,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Equitable Securities Corp. and Shields & Co. (jointly); Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane, Eastman Dillon, Union Securities & Co.; White, Weld & Co. and Kidder Peabody & Co. (jointly); The First Boston Corp.

Multnomah Canadian Fund, Ltd.
Nov. 25 it was announced company has applied to SEC for permission to issue and sell in the United States its class A common shares, of which there are authorized 1,000,000 shares (par $1) and 10,000 shares outstanding. **Office**—Vancouver, B. C., Canada.

New Orleans Public Service Inc.
Dec. 4 it was announced company plans to issue and sell $6,000,000 of first mortgage bonds in the Spring of 1958. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lee Higginson Corp.; Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); White, Weld & Co.; Salomon Bros. & Hutzler.

★ New York, Chicago & St. Louis RR. (2/4)
Bids will be received by the company up to noon (EST) on Feb. 4 for the purchase from it of $5,130,000 equipment trust certificates to mature semi-annually from Aug. 15, 1958 to Feb. 15, 1973, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ Niagara Mohawk Power Co. (2/17)
Jan. 21 it was reported company plans to issue and sell $25,000,000 of additional preferred stock. **Underwriter**—Harriman Ripley & Co. Inc., New York.

Norfolk & Western Ry. (2/19)
Bids are expected to be received by this company up to noon (EST) on Feb. 19 for the purchase from it of $4,140,000 equipment trust certificates (third instalment) to mature semi-annually from May 1, 1958 to and including Nov. 1, 1972. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Northern Illinois Gas Co. (2/19)
Jan. 6 company announced that proposed $10,000,000 financing will consist of 100,000 shares of $100 preferred stock. **Proceeds**—New construction. **Underwriter**—First Boston Corp. and Glore, Forgan & Co., jointly. **Offering**—Expected Feb. 19.

Northern States Power Co. (Minn.)
Jan. 13 it was reported that the company may be considering the issue and sale this Summer of about $25,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers and Riter & Co. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly).

Ohio Edison Co. (3/4)
Dec. 12 it was reported company plans to offer $30,000,000 to $35,000,000 first mortgage bonds due 1988. **Proceeds**—To repay bank loans, etc. and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co.; First Boston Corp.; Glore, Forgan & Co., White, Weld & Co. and Eastman Dillon, Union Securities & Co. (jointly). **Bids** — Expected on March 4.

Oklahoma Gas & Electric Co.
Nov. 18 it was reported company plans to raise about $20,000,000 this Spring, through sale of bonds and other securities. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; The First Boston Corp.; Kuhn, Loeb & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc. and Eastman Dillon, Union Securities & Co. (jointly). (2) For preferred stock—Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); The First Boston Corp.; Lehman Bros. and Blyth & Co. Inc. (jointly); Smith, Barney & Co.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co. Any offering of common stock may be made to common stockholders, with Merrill Lynch, Pierce, Fenner & Beane underwriting.

★ Pacific National Bank, San Francisco, Calif.
Jan. 28 it was announced stockholders will vote Feb. 11 on approving a proposed offer of 44,708 additional shares of common stock (par $20) to stockholders at the rate of one new share for each four shares held. **Price**—$37.50 per share. **Proceeds** — To increase capital and surplus. **Underwriters** — Elworthy & Co.; Schwabacher & Co.; Davis Skaggs & Co.; Pfluger & Baerwald; and J. Barth & Co.; all of San Francisco, Calif.

Pacific Telephone & Telegraph Co.
Jan. 8 it was reported company plans $300,000,000 capital outlay program. **Proceeds**—For construction program in 1958 and 1959 ($137,000,000 in 1958). **Underwriter**—To be determined by competitive bidding. Probable bidders— Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

★ Philadelphia Electric Co.
Jan. 27 it was reported company plans to issue and sell in May, subject to market conditions, $40,000,000 of first mortgage bonds due 1988. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co.; Morgan Stanley & Co. and Drexel & Co. (jointly).

★ Public Service Co. of Oklahoma
Jan. 20 it was reported company plans to issue and sell in May $16,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.: and Shields & Co. (jointly); Blyth & Co., Inc.; Salomon Bros. & Hutzler; Kuhn, Loeb & Co. and Eastman Dillon, Union Securities & Co. (jointly); The First Boston Corp.; Glore, Forgan & Co.; Equitable Securities Co.

Richfield Oil Corp.
Jan. 6 it was reported that company may late in January announce its financing plans, which are not yet completed. **Underwriter** — May be Merrill Lynch, Pierce, Fenner & Beane, New York.

Riddle Airlines, Inc.
Oct. 21 it was announced company plans to register with the SEC an issue of new common stock, the number of shares and the price at which they will be offered not yet determined. The authorized common stock has been increased from 7,500,000 to 15,000,000 shares. **Proceeds**—To finance route expansion and for working capital. **Underwriter**—James H. Price & Co., Inc., Coral Gables, Fla. and New York, N. Y., handled previous public offering of 500,000 shares of common stock at $3.25 per share in July, 1956.

★ Seaboard Air Line RR. (1/30)
Bids will be received by the company up to noon (EST) on Jan. 30 for the purchase from it of $5,445,000 equipment trust certificates to mature annually from Aug. 1, 1958 to 1972, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ Sierra Pacific Power Co. (4/16)
Jan. 27 it was also reported that the company plans to offer to its common stockholders the right to subscribe for 57,362 additional shares of common stock (probably with an oversubscription privilege). **Proceeds**—For construction program. **Underwriter**—Exemption from competitive bidding to be sought. Stone & Webster Securities Corp. and Dean Witter & Co. (jointly) were only bidders for last rights offer, which was on a competitive basis.

★ Sierra Pacific Power Co. (4/23)
Jan. 27 it was reported company plans to issue and sell $3,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Stone & Webster Securities Corp. and Dean Witter & Co. (jointly). **Bids**—Tentatively scheduled to be received on April 23. **Registration** — Planned for March 25.

★ South Carolina Electric & Gas Co. (2/17-20)
Jan. 20 it was announced company plans to offer to its common stockholders about Feb. 17 to Feb. 20, 1958 the right to subscribe on or before March 12 for 365,693 additional shares of common stock on a 1-for-10 basis. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—Kidder, Peabody & Co., Inc., New York. **Registration**—Expected momentarily.

Southern Counties Gas Co. of California
Dec. 16 it was reported company plans to issue and sell in March, 1958, $15,000,000 of first mortgage bonds. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane.

Southern Nevada Power Co.
Dec. 3 it was announced company plans to raise in mid-1958 between $5,000,000 and $6,000,000 new capital, about two-thirds of which will be through bond financing and the balance through common stock financing. **Underwriter**—For stock, may be Hornblower & Weeks, William R. Staats & Co. and The First California Co. (jointly). For bonds, to be determined by competitive bidding. Only bidders in 1956 for $4,000,000 bonds were Halsey, Stuart & Co. Inc.; Hornblower & Weeks and William R. Staats & Co. (jointly).

Southern New England Telephone Co. (2/26)
Dec. 12 it was announced company plans to issue and sell $30,000,000 of debentures. **Proceeds**—For repayment of advances received from American Telephone & Telegraph Co. and construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Lehman Brothers and Salomon Bros. & Hutzler (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane. **Bids** — Scheduled to be received on Feb. 26. **Registration**—Planned for Feb. 4.

★ Spur Distributing Co., Nashville, Tenn. (2/19)
Bids will be received by the Attorney General of the United States, Office of Alien Property, up to 11 a.m. (EST) on Feb. 19 for the purchase from the Government of 73,039 shares of common stock (no par), which represents 55.5% of the company's issued and outstanding common stock. An offer to purchase the stock for $5,038,-103 has been received by the Attorney General, who has agreed to accept such offer unless a higher acceptable bid is received.

Toledo Edison Co.
Jan. 20 it was reported company plans to issue and sell about $15,000,000 of first mortgage bonds in April or May of this year. **Proceeds**—To repay bank loans. **Underwriter**—If issue is not placed privately, underwriter may be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Eastman Dillon, Union Securities & Co.; and Salomon Bros. & Hutzler (jointly); Carl M. Loeb, Rhoades & Co.; The First Boston Corp.

Tuttle Engineering, Inc., Arcadia, Calif.
Nov. 6, Harry Oedekerk, Chairman of the Board, announced corporation plans a public stock issue in the near future. **Proceeds**—For working capital and other corporate purposes.

Union Electric Co. (Mo.) (3/5)
Nov. 11 it was reported company plans to issue and sell approximately $35,000,000 first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); White, Weld & Co., Blyth & Co., Inc., Eastman Dillon, Union Securities & Co. and Shields & Co. (jointly); The First Boston Corp. **Bids**—Expected to be received on March 5.

★ United Gas Corp. (2/26)
Jan. 23 it was announced that the company plans to issue and sell $30,000,000 of first mortgage collateral bonds due 1978. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp., Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly); Kuhn, Loeb & Co.; White, Weld & Co. and Equitable Securities Corp. (jointly). **Bids**—Tentatively scheduled to be received up to noon (EST) on Feb. 26. **Registration**—Planned for Feb. 3.

★ United Gas Improvement Co. (5/12-16)
Jan. 22 it was reported company plans to issue and sell $12,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Kidder, Peabody & Co.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Expected to be received some time during the week of May 12.

Virginia Electric & Power Co. (6/10)
Dec. 26 it was reported company plans to issue and sell $25,000,000 bonds or debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Salomon Bros. & Hutzler; White, Weld & Co.; Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp.; Kuhn, Loeb & Co. and American Securities Corp. (jointly). **Bids**—Tentatively expected to be received on June 10.

Virginia & Southwestern Ry. (2/27)
Company plans to sell $5,000,000 bonds. **Proceeds**—To redeem similar amount due April 1, 1958. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Salomon Bros. & Hutzler. **Bids**—Expected to be received on Feb. 27.

Washington Natural Gas Co.
Oct. 18 the directors authorized the sale of $5,000,000 in debentures. **Proceeds**—For expansion program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

Continued from page 6

Private Liberal Mortgage Lending Is Sound and Inherently Safe

paid on principal, but a substantial balance became due at the end of what usually was a three- or five-year period.

Under this method of financing the financial burden upon home owners was back-breaking. The results were extensive foreclosures, and mortgage lenders found themselves in the real estate business with properties for sale or for rent, in order to recover their money.

No Real Estate Affiliates

Let me assure you that *no* mortgage lenders want to get into the real estate business. We have only two things to sell — money and service. We consider a foreclosure as a failure on our part.

But there was another factor, too, which was not generally realized outside of the mortgage lending industry. It was this:

What started out as a 65% mortgage often became as much as *an 86% loan* before the parties realized it.

From the date the mortgage was made, ordinary obsolescence and depreciation of the property began. It can be easily seen that if depreciation amounted to only 2% a year, in five years this would amount to 10%.

If, on top of this, the home owner owed six months interest, that added another 3%, making a total of 13%. Then, if in addition, a year's taxes had accrued (probably another 3%) a total of 16% of the equity had disappeared at the end of five years.

Therefore, the 65% mortgage had become an 81% mortgage; and if repairs had accumulated, perhaps another 5% might be necessary to put the property in good condition.

Thus, what was ostensibly a 65% mortgage became an 86% loan at the end of five years. Yet these loans were considered sound in the old days, in spite of all the hardship for both borrowers and lenders.

And remember that all this time, the mortgage principal remained static. *Only the equity declined.*

With the self-amortizing mortgage today, the risk to both home owner and lender is reversed.

Instead of *diminishing equity*, as was the case with the old-style mortgage, we now have a diminishing *mortgage*, and an *increasing* equity.

Today, with home mortgage payments on a monthly budget basis whereby payment on principal, interest, taxes and hazard insurance is covered in a single lump sum, as so wisely provided by the FHA rules, a family can buy a home with no more hardship than paying rent—provided the mortgage is written for a long enough term so that monthly principal and interest payments are realistic in relation to the family's income.

They Are Sound and Safe

I am really quite critical of any individual, any agency, or any institution—and there are a few—who object to the long-term mortgage on the grounds that it is unsound, or that by making home ownership possible for ever increasing numbers of American families, the rising mortgage debt endangers our economy.

Experience proves that nothing could be further from the facts.

In the first place, as I hope I proved conclusively in citing my own bank's experience, liberal mortgage lending policies *are* sound and inherently safe, when based upon the borrower's ability to meet his obligations.

No prudent banker will allow any family to buy a home it cannot afford — whether or not the loan is insured. The FHA itself says insurance does not make a mortgage sound. It is only the quality of underwriting which determines soundness.

But for the family of moderate means to afford a home requires that the mortgage be written for as long a term as possible. There is a great deal of difference in the payment of $5.84 per $1,000 per month on principal and interest on a 30-year 5¾% mortgage, and the payment of $10.98 per $1,000 on a ten-year mortgage.

Those who claim that home mortgage debt is too high have apparently overlooked the fact that millions of families have ceased being rent-payers and have become home owners in the past 15 years. These families have simply transferred their rent payments to payments on the homes they have bought—and in doing this have created billions of dollars in new wealth for this nation, and have provided employment for millions of persons.

A home purchase today is a form of systematized, enforced saving, because with every monthly payment, the buyer adds to his equity in his property. In effect, it is the same as depositing in a bank the sum credited each month as payment on mortgage principal.

However, to become a home owner and cease being a rent-payer, it is imperative that the average family be granted the concession of the lowest possible down payment.

Furthermore, the home owner with a long-term, self-amortizing mortgage need have no fear of losing his property. With taxes and insurance paid in advance, interest on a current basis, and larger equity than when the loan was made, it is easy for a mortgage lender to help that home owner over any temporary financial crisis.

I want to repeat and emphasize my belief that liberal home mortgage lending policies are vital to this nation.

Such policies serve to broaden the base of home ownership. This broader base is necessary to keep production of homes at a high level, and home building is one of the greatest means we have for creating real wealth.

The nation's prosperity depends upon a high rate of production of goods and services of all kinds.

Production, and production alone, is our most effective weapon against inflation. But we cannot have maximum production unless the American people are provided with the means and terms with which to buy the goods and services which are produced.

I am sure this is recognized by the Housing and Home Finance Agency under Administrator Cole, and by the Federal Housing Administration under Commissioner Norman P. Mason. These men and their agencies, together with members of the Congress, are continually demonstrating their desire to help the building industry to produce homes.

I and my bank have consistently supported every move made by Congress and the housing agencies toward liberalizing mortgage lending practices—and we have never regretted this support for a single instant.

I do not want to deprecate in any manner the enormous aid the FHA and the VA have been to the home building industry and to the home buyers of America.

And I do not contend that the Federal housing agencies go out of business. Government-backing of mortgage loans no doubt is necessary in many areas, and for some types of lenders, and should be continued.

But I *do* want to declare with all the force at my command that I believe the mortgage lending institutions of America have had enough experience, and have developed enough skill, to be able to conduct their operations without continually leaning on government.

And I honestly believe that loans of 90%, or more, on a *conventional* basis are inherently safe and sound.

Janney, Dulles Branch

BALTIMORE, Md. — Janney, Dulles & Battles, Inc. have opened a branch office at 210 East Redwood Street under the direction of Richard H. Bond.

McDonald, Holman Branch

BEVERLY HILLS, Calif.—McDonald, Holman & Co., Inc., have opened a branch office at 215 North Canon Drive under the management of James N. Johnson.

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Mutual Funds

By ROBERT R. RICH

Massachusetts Investors Trust Expense Ratio Is Again Reduced

Massachusetts Investors Trust, the nation's oldest mutual investment company, had total net assets of $976,108,094 on Dec. 31, 1957, representing 100,469,960 shares outstanding, owned by 184,215 shareholders, according to the Trust's 33rd Annual Report for the year ended Dec. 31, 1957. A year ago the Trust had total net assets of $1,098,594,429, with 94,476,155 shares outstanding and 159,414 shareholders.

For the 14th consecutive year dividends from net income paid during the year were greater than those of the previous year, amounting to 41 cents per share in 1957, the largest per share total for any one year, compared with 40⅓ cents per share in 1956. The four quarterly dividends paid amounted to more than $40,000,000. It brought total dividend payments from net income during the Trust's 33 years to $331,494,000.

The net asset value per share on Dec. 31, 1957 was $9.72, reflecting the general decline in stock values. Together with a capital gain distribution of 17 cents per share declared Dec. 31, 1957, the year-end asset value amounted to $9.89, compared with $11.63 a year ago.

The report shows that the ratio of operating expense to average net assets of the Trust, which was one-half of 1% 20 years ago and thirty-seven hundredths of 1% 10 years ago, had further been reduced to twenty-one hundredths of 1% in 1957. This is the lowest expense ratio of any mutual investment company.

Purchases and sales of investment securities, other than government securities and short-term notes, totaled $84,348,582 and $40,018,289 respectively, compared with $99,279,232 and $41,535,552 in the previous year.

At year-end the Trust held common stock investments in 135 companies, representing more than 20 industries. The largest industry holdings were in petroleum, $210,382,512; utilities, $100,313,350; steels, $72,568,125; tire and rubber, $60,426,937; and metals and mining, $57,294,575. A year ago, the five largest holdings by size were petroleum, steels, utilities, metals and mining, and chemicals.

The 10 largest individual company holdings at year-end were International Business Machines Corp., $35,764,300; Standard Oil Company (New Jersey), $33,166,825; Texas Company, $26,390,862; Goodyear Tire & Rubber Co., $26,171,287; Bethlehem Steel Corp., $25,462,500; U. S. Steel Corp., $25,430,625; Standard Oil Company of California, $23,855,000; General Motors Corp., $22,612,500; General Electric Co., $20,295,000; and duPont, $19,754,000.

On Dec. 31, 1957 the Trust's portfolio contained the common stocks of seven companies not held a year previously, including International Nickel Co. of Canada; McGraw-Edison Co.; American-Marietta Co.; Atlantic Refining Co.; Newmont Mining Corp.; Coca-Cola; and Parke, Davis & Co. Eliminated during the year were eight other common stock holdings.

National Investors Sees Strength In Economy

Asset value per share of National Investors Corporation was $8.62 at the end of 1957, the growth stock mutual fund announced in its 21st annual report. Although down from $9.86 a year earlier, reflecting lower stock prices in general, the asset value "held up significantly better" than well-known market averages, it was brought out by Francis F. Randolph, Chairman and President, when adjusted for the December distribution of 35 cents per share from gain realized on investments.

Dividends from investment income totaled 25 cents per share in 1957, the same as in 1956. Mr. Randolph stated that this meant a gain of 5.7% in income received from National Investors by shareholders who maintained their investment in the corporation by taking shares in payment of the 1956 distribution from realized gain.

Net assets were $61,933,527 at Dec. 31, lower than the $66,409,376 a year earlier, reflecting the 1957 decline in stock prices generally.

"There are many strengths in the present economy," the Chairman noted, "to support the view that downward spiraling into depression is not in prospect. There have already been readjustments in the textile, metals and consumers' durable goods industries, to name a few, accomplished while the nation enjoyed high prosperity. Integration in industry and mergers have reduced the number of marginal concerns which, under stress, in the past may have dumped inventories on unwilling markets.

"Consumer incomes," he added, "are buttressed by favorable social legislation, the strength of labor unions, and the larger share of such incomes derived from service industries, less volatile than the manufacturing industries. Business planning is better and, with more statistical information avaliable, business plans and decisions are grounded more on facts than on inferences and fears. And, underlying all interim developments are the basic favorable forces of continuing population growth and technical and scientific progress in the United States and throughout the world."

Common stocks accounted for 98.17% of National Investors net assets at year end, Mr. Randolph reported, and the growth stock fund continued in the virtually fully-invested position it has maintained for a number of years.

"No major change in this position is now planned," the Chairman stated. "The basic growth trend of the nation is not diminished by intermediate forces toward recession and, in your corporation's view, continued confidence in the long-pull outlook for business and stock prices is warranted. Shifts in individual investments, however, will continue to be made."

During 1957, a new position was established in the aircraft industry, and holdings were increased in the drug, electrical and electronics, food chain, natural gas, paper products and public utility fields. Investments in the aviation, chemical and oil industries were reduced. Seven new securities were added to and two eliminated from the portfolio of investments.

Largest holdings in industries at year end were: oil, 17.61% of investment assets; public utility, 15.14%; office equipment, 9.68%; and electrical and electronics, 8.85%.

A new investment position was established in the fourth quarter with the purchase of 14,000 shares of Middle South Utilities, Inc. Important increases in holdings were 10,000 shares of ACF-Wrigley Stores, Inc., 9,500 shares of Atlantic City Electric Co., 3,800 shares of U. S. Vitamin Corp., and 3,000 shares of San Diego Gas & Electric Co.

During the same period, investments were eliminated through sale of shares of American Airlines, Inc., and Eastern Air Lines, Inc. Reductions included the sale of 13,000 shares of Beckman Instruments, Inc., and 4,400 shares of Amerada Petroleum Corp.

Century Trust's Shares Off Slightly

In its 30th annual report, Century Shares Trust—the oldest mutual investment company specializing in insurance company and bank stocks — reports total net assets of $44,101,665 at the close of 1957, equal to $20.68 per share on 2,132,593 outstanding shares.

These figures compare with net assets of $47,097,030 on Dec. 31, 1956, amounting to $22.05 per share on 2,136,291 shares then outstanding. After allowing for the capital gains distribution of 78 cents a share paid in January, 1957, the decrease in net asset value per share for the year is less than 3%. The annual report notes that "this compares with a decline of 12¾% in the Dow Jones Industrial Stock Average for the same period, and a drop of about 14% in the Standard and Poor's 500 Common Stock Index."

A feature of the current report is a section with photographs and background information about the management of the Trust.

Commenting on the holdings of life insurance company stocks, comprising 38.8% of net assets, the trustees observe that:

"During 1957 sales of new life insurance continued to grow. It is estimated that the increase over 1956 was about 20%. Mortality experience continued satisfactory and investment income was at a record high. The outlook continues favorable for this industry."

As to fire and casualty insurance companies, representing 46.0% of assets, the report comments:

"The year 1957 was another one of growth for the fire and casualty insurance industry with the volume of premiums written estimated at over 5% greater than in 1956. However, larger claims for losses, particularly in straight fire and automobile bodily injury coverages, adversely affected underwriting results.

"To correct the inadequacy of premiums in the light of present-day claims, numerous increases in insurance rates were effected during the year and more are in prospect. Varying periods of time are required, however, for increased rates to be fully reflected in operations. The industry's experience over many years indicates that rates ultimately catch up with claim experience and that a profitable underwriting cycle has always followed an unfavorable period. Results for the closing months of 1957 give some indication that an improvement in underwriting operations is likely in 1958."

With respect to the 10.6% of assets in bank stocks, the trustees note that most of these institutions reported higher earnings last year than in 1956 and that dividends paid by banks in the portfolio are well covered by current and anticipated earnings.

The annual report also states that:

"The number of shareholders continues to increase. At the end of 1957, there were 7,360 shareholders, a new high, the average holding amounting to about $6,000. However, many shareholders have invested substantially larger amounts: shareholders with an investment of $50,000 or more own approximately $10,000,000 of the Trust's shares and shareholders with an investment of $100,000 or

Affiliated Fund

A Common Stock Investment Fund

Investment objectives of this Fund are possible long-term capital and income growth for its shareholders.

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Tri-Continental Corporation

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28th

ANNUAL REPORT

FOR 1957

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more own approximately $6,000,-000.

"Fiduciary and institutional shareholders own about 30% of the Trust. Among these are banks and individual fiduciaries (trustees, guardians, executors, etc.), insurance companies, educational institutions, hospitals, homes, labor unions, profit sharing and pension funds, religious organizations, other investment companies and many business, philanthropic, fraternal and miscellaneous organizations."

Incorporated Funds Had Record Sales

The Parker Corporation, investment managers and distributors of Incorporated Investors and Incorporated Income Fund, has just announced record sales for these Funds in 1957.

Combined sales reached $73,-000,000 in 1957 compared with $54,000,000 in 1956, a 35% increase. Sales of Incorporated Investors in 1957 were $30,100,000 and sales of Incorporated Income Fund $42,900,000.

Total redemptions by stockholders were 18.8% of sales in 1957 compared with 25.8% in 1956. This favorable comparison, in a year when stock prices generally declined, was gratifying to management.

During the year the number of stockholders also registered a record rise, with an increase from 72,000 to 95,000. Funds under management of The Parker Corporation now total $280,000,000.

General American Assets Now at $56 Million

In the 31st annual report of General American Investors Co., Inc., Frank Altschul, Chairman, stated that as of Dec. 31, 1957 net assets were $56,142,943.

The decrease for the year in the net assets, after payment of $4,429,545 in dividends and $219,-232 for preferred stock purchased for retirement, was $10,399,511.

Net assets, after deducting $5,-575,000 preferred stock, were equal to $28.09 per share of common stock on the 1,800,220 shares outstanding.

Net profit from the sale of securities for the year was $3,299,-682, of which $3,299,134 was from long-term capital gains.

Net income from dividends, interest and royalties for the year, after expenses and taxes, was $1,142,977.

Dividends were paid during the year as follows: on the preferred stock, $253,035; on the common stock, $882,107 from net income from dividends, interest and royalties, and $3,294,402 from long-term capital gains. Dividend payments on the common stock were 49 cents a share from net income and $1.83 per share from long-term capital gains.

Principal holdings on Dec. 31, 1957 were:

Par Value ($000 omit'd)		Market Value
$2,800	U. S. Treasury Securities	$2,813,130
1,500	Missouri Pacific RR. Co. First Mortgage 4¼%	982,500
Shares		
10,000	Superior Oil Company	16,600,000
60,000	Amerada Petroleum Corp.	5,400,000
60,000	Pittsb'gh Cons. Coal Co.	1,890,000
29,900	Seaboard Oil Company	1,704,300
50,000	Signal Oil & Gas Co. Class A	1,675,000
34,000	Thompson Products, Inc.	1,666,000
21,000	Newmont Mining Corp.	1,480,500
80,000	American Metal Co., Ltd.	1,360,000
10,000	Gulf Oil Corporation	1,070,000

United Corp. Net Income Up in Year

Net investment income of The United Corporation for the year 1957 increased to $3,436,111 or 24.4c per share from $3,332,350 or 23.7c per share in 1956, according to the company's annual report sent to shareholders over the past week end.

In addition to net investment income the company realized profits on the sale of securities in 1957 amounting to $3,196,326 or 22.7c per share.

Total net investment income plus realized profits amounted to $6,632,437 or 47.1c per share.

Dividends totaling 35c per share were paid during 1957, of which 25c per share was from net investment income and 10c per share from realized profits. As in past years it has been tentatively ruled that these dividends do not constitute taxable income in the hands of shareholders.

Net asset value for United stock was $84,723,938 or $6.02 per share at Dec. 31, 1957. At the end of 1956 net asset value was $92,819,-979 or $6.60 per share.

Investments owned in common stocks of domestic public utility companies had a market value of $47,186,354 at Dec. 31, 1957.

During the year 117,526 additional shares of common stock of Canadian International Power Company Limited were purchased. Market value of the 746,170 shareholding of common stock of this controlled affiliate amounted to $12,134,590 at the year end.

Twenty-one thousand four hundred shares of common stock of True Temper Corporation were also added during the year. Market value of True Temper stock held at the year end was $4,392,-833.

Other important group holdings included: oil shares, $5,904,621; steel, $2,317,975; rubber, $2,251,-848; electrical equipment, $1,572,-438.

Closed End News

General Public Service Corporation, closed-end investment company, reports that its net assets at market value on Dec. 31, 1957, were $24,406,553, equivalent to $4.92 per share on the 4,956,528 shares of common stock outstanding.

The asset value at the close of 1956 was equal to $5.07 per share. The report pointed out that after allowance for the 19 cents per share distributed to shareholders from realized net gain on investments during 1957, there was an increase in the asset value "during a year of broadly declining market values for common stock."

The report added: "The substantial investment position has been maintained in long-term growth utilities, a group that was outstanding in its relative market performance in 1957."

Major purchases during 1957 included, 10,000 shares of Savannah Electric, 10,000 shares of Tampa Electric, 5,000 shares of Idaho Power, 10,000 shares of Arkansas Louisiana Gas, 6,500 shares of Southern Union Gas and 6,000 shares of Oklahoma Natural Gas. Among holdings eliminated during the year were, 18,000 shares of Louisville Gas and Electric, 13,000 shares of United Gas, 3,000 shares of Colorado Interstate Gas, 5,000 shares of Southern Natural Gas and 6,000 shares of Hooker Electrochemical.

At Dec. 31, 1957, holdings of utility common stocks represented 50.5% of total net assets; oil and natural gas, 11.7%; natural gas transmission and distribution, 11.2; miscellaneous industrial, 21.6; corporate bonds, .2; and U.S. governments and cash, 4.8.

Eaton & Howard Funds Report

Combined assets of the two Eaton & Howard Mutual Funds were $242,958,742 on Dec. 31, 1957, compared with $249,253,028 a year ago. Eaton & Howard Stock Fund 27th Annual Report issued to 21,-946 shareholders shows assets of $81,108,001, an increase of $6,454,-813 during the year. Shares outstanding totaled 4,475,791 compared with 3,594,464 a year ago. Value per share on Dec. 31, 1957, was $18.14 which, adjusted for December distribution of realized profits of 20 cents a share, was equivalent of $18.34. At beginning of year asset value was $20.79. Report shows 86% of Fund invested in 130 common stocks; 14% in U. S. Governments, short-term notes and cash. The five major investment holdings by industries were oil (13.9%), power and light (9.9%), insurance (8.8%), chemical (6.1%), and natural gas (4.1%).

Eaton & Howard Balanced Fund 26th Annual Report, issued to 26,-809 shareholders, shows assets of $161,778,741 compared with $174,-527,840 a year ago. Shares outstanding totaled 8,223,404 compared with 8,016,699. Asset value per share was $19.67 compared with $21.77 a year ago. After adjustment for distribution of realized profits of 41 cents a share in December, the share value on Dec. 31, 1957, was 7.8% lower than a year ago. Common stocks totaled 63.1% of Fund on Dec. 31; 11.9% was invested in preferred stocks; 14.0% in corporate bonds; 11.0% in U. S. Governments, short-term notes and cash. The five major common stock holdings by industries were oil (16.0%), power and light (11.0%), insurance (4.6%), banking (4.4%), and chemical (3.3%).

Whitehall Share Value Maintaind

Per share asset value of Whitehall Fund, Inc., was $10.79 at the end of 1957, the balanced mutual fund's 11th annual report disclosed today. Francis F. Randolph, Chairman and President, stated that this was only 3.4% less than the $11.58 reported a year earlier, after allowing for the distribution of 40 cents a share from gain realized on the sale of investments.

"Asset value," Mr. Randolph commented, "thus was well-maintained during the year."

Dividends of 46 cents per share were paid in 1957, the same as in 1956. The Chairman stated that dividend income was 6% higher for shareholders who kept their capital at work by taking Whitehall Fund shares in payment of the 1956 distribution of realized gain.

Net assets of Whitehall Fund were $8,072,964 at Dec. 31, up slightly from $7,942,047 a year earlier.

Operating expenses, Mr. Randolph noted, were only $33,452 in 1957, continuing to be low in relation to both net assets and investment income.

Whitehall Fund's assets continued to be invested roughly 50% in bonds and preferred stocks and 50% in common stocks at the year end. There was no significant change in the over-all investment position in 1957 and, the Chairman stated, "none is planned."

There were, however, numerous changes in individual securities owned, with 19 securities added to, and 17 eliminated from the portolio of investments.

"Purchase of senior fixed-income securities during the past year were concentrated in bonds," Mr. Randolph reported, "and some shifts were made into bonds from preferred stocks. Moreover, shifts were made in bond holdings to take advantage of the—at times—unusually wide differential in rates of return favoring new issues over issues which had been outstanding for some time and were well-distributed among investors. The tight money market made it possible during most of 1957 to buy bonds on a relatively generous yield basis and often with protection against early redemption or refunding .

"This," he added, "helped to improve the Fund's income for the year. The improvement in bond prices that accompanied easing in the money supply in the final quarter helped bolster the value of its investment assets."

Within the common stock category of investments, the Chairman brought out, purchases favored stocks of companies whose business seemed likely to be resistant to cyclical influences. Investments were increased in the drug, public utility and shipbuilding industries. A common stock holding was eliminated in the office equipment industry, and reductions were made in building, electrical and electronics, natural gas and oil stocks.

New common stock investment positions were established during the fourth quarter through purchase of 1,500 shares of Middle South Utilities, Inc., and 1,000 shares of American Chicle Company. In the same period, the holding in Shell Oil Company was reduced by 1,100 shares.

Investment Co. of America Net at Record

Net investment income of The Investment Company of America set a new high record of $3,031,-320 in the year ended Dec. 31, 1957, Jonathan B. Lovelace, President, stated today in his 24th annual report to the shareholders. Such net income was equivalent to 28.3 cents per share on the 10,-722,385 average number of shares outstanding during the year, and compared with $2,502,609 or 27.8 cents per share on the average number of shares (9,015,870) outstanding in 1956.

Total shareholders increased to 38,388 on Dec. 31, 1957 from 35,-043 a year earlier.

Total net assets at Dec. 31, 1957 were reported at $88,737,452, equivalent to $7.58 for each of the 11,708,464 shares outstanding at that date, and compared with a total at Dec. 31, 1956 of $95,038,-012, or $9.43 per share on the 10,-074,300 shares then outstanding. The decline in net assets, Mr. Lovelace said, was a reflection of the general decline in common stock prices and was without any adjustment for the capital gain distribution made during the year which aggregated $5,515,874, or 50 cents per share.

Figures contained in the report of the Fund which now enters its Silver Anniversary year show that an investment of $10,000 made 24 years ago would have been worth $181,464 on Dec. 31, 1957 if all dividends and distributions had been reinvested.

According to Mr. Lovelace, the country has been through several periods of economic readjustment during the lifetime of the Fund, and while each of these periods has differed from the others, they have in common the fact that in every instance our economy has emerged stronger than before, and has subsequently achieved new high records in production.

In Mr. Lovelace's opinion, the present period of readjustment has some of the characteristics of the 1937-38 period as well as the 1948-49 and 1953-54 periods. The latter two periods of decline were largely the product of inventory liquidations. In 1953-54 there was an additional factor of reduced national defense expenditures. The current decline he attributed more to imbalances created by rising labor costs not matched by higher productivity. "Today," he said, "there are elements of strength not present in any of the earlier periods mentioned. Our economy is on a much broader base than in 1937, and we are facing a step-up in national defense expenditures, not a reduction. Many American economists expect a turn-around in business in the middle of 1958, but the timing and vigor of the recovery may depend largely upon the trend of wage contract negotiations and the psychology of consumers."

During the year The Investment Company of America increased cash and government holdings from a low of 4.3% of net assets following the market decline in February to a high of 18.8% in July. On the subsequent decline in the market, common stocks were purchased in substantial volume, and at Dec. 31, 1957, the cash and government ratio stood at 12.1%, up from 10.5%, at Jan. 1, 1957.

The Fund also made a number of changes in investments in an effort to adjust holdings to the changing economic outlook. Substantial increases were made during the year in the holdings of bank and insurance stocks and in the auto parts, drug, electrical and electronic products, grocery chain, office equipment, oil and steel industries.

What the . . .?

"If we try to operate the United States with 75% of parity for farm products and other raw materials, the nation will lead capitalism into an economic collapse throughout the world.

* * *

"When farm prices are below parity, society is forced into a position of either accepting a loss in income or mortgaging its future income by excessive increases in total debt—public and private—against the income of the United States.

"The point that needs to be driven home is that the nation as a whole sets the stage for losing $5 of earned national income and $1 of earned investment capital for every dollar that raw material producers are paid below parity levels."—Carl H. Wilken, Economist, Raw Materials National Council.

From such statements as these one would suppose that "parity" was something handed down from above on tablets of stone, when as a matter of fact it is a "trumped-up" figure resting upon clearly fallacious assumptions.

The trouble is that there are always naive minds which accept foolish concepts and shaky figures merely because they sound learned and have politically impressive sponsors.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (per cent of production)	Feb. 1	§92.1	*93.1	93.4	155.4
Equivalent to—					
Steel ingots and castings (net tons)	Feb. 1	§1,479,000	*1,496,000	1,501,000	2,498,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Jan. 17	6,924,535	6,849,985	6,914,800	7,431,115
Crude runs to stills—daily average (bbls.)	Jan. 17	¶7,675,000	7,772,000	7,712,000	8,120,000
Gasoline output (bbls.)	Jan. 17	26,724,000	26,981,000	27,264,000	27,107,000
Kerosene output (bbls.)	Jan. 17	2,712,000	2,524,000	2,436,000	2,472,000
Distillate fuel oil output (bbls.)	Jan. 17	13,733,000	13,189,000	13,106,000	14,841,000
Residual fuel oil output (bbls.)					
Stocks at refineries, bulk terminals, in transit, in pipe lines	Jan. 17	7,132,000	7,705,000	7,581,000	8,923,000
Finished and unfinished gasoline (bbls.) at	Jan. 17	200,636,000	198,738,000	189,486,000	191,373,000
Kerosene (bbls.) at	Jan. 17	25,343,000	27,261,000	27,719,000	27,542,000
Distillate fuel oil (bbls.) at	Jan. 17	135,406,000	141,349,000	152,383,000	114,424,000
Residual fuel oil (bbls.) at	Jan. 17	57,952,000	58,257,000	57,674,000	41,009,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Jan. 18	572,353	569,444	590,343	657,269
Revenue freight received from connections (no. of cars)	Jan. 18	534,938	490,066	552,316	604,898
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Jan. 23	$218,880,000	$219,940,000	$273,767,000	$222,142,000
Private construction	Jan. 23	93,338,000	105,118,000	122,226,000	51,662,000
Public construction	Jan. 23	125,542,000	114,822,000	151,541,000	170,480,000
State and municipal	Jan. 23	97,497,000	80,115,000	135,124,000	120,434,000
Federal	Jan. 23	28,045,000	34,707,000	16,417,000	50,046,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Jan. 18	8,440,000	*8,790,000	9,380,000	9,925,000
Pennsylvania anthracite (tons)	Jan. 18	556,000	506,000	469,000	565,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Jan. 18	103	108	274	100
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 25	12,399,000	12,400,000	11,218,000	12,410,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Jan. 23	333	260	166	258
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Jan. 21	5.967c	5.967c	5.967c	5.622c
Pig iron (per gross ton)	Jan. 21	$66.42	$66.42	$66.42	$62.90
Scrap steel (per gross ton)	Jan. 21	$34.33	$33.17	$32.00	$57.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Jan. 22	24.600c	24.575c	26.550c	35.425c
Export refinery at	Jan. 22	20.875c	21.625c	22.450c	33.350c
Lead (New York) at	Jan. 22	13.000c	13.000c	13.000c	16.000c
Lead (St. Louis) at	Jan. 22	12.800c	12.800c	12.800c	15.800c
‡Zinc (delivered) at	Jan. 22	10.500c	10.500c	10.500c	14.000c
Zinc (East St. Louis) at	Jan. 22	10.000c	10.000c	10.000c	13.500c
Aluminum (primary pig. 99%) at	Jan. 22	26.000c	26.000c	26.000c	25.000c
Straits tin (New York) at	Jan. 22	92.250c	92.250c	92.375c	102.375c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Jan. 28	94.13	94.19	92.94	91.23
Average corporate	Jan. 28	96.07	95.62	*92.93	95.92
Aaa	Jan. 28	103.13	102.80	100.49	100.49
Aa	Jan. 28	99.68	99.52	96.69	98.25
A	Jan. 28	96.85	96.54	*93.38	96.23
Baa	Jan. 28	85.72	84.94	82.40	89.09
Railroad Group	Jan. 28	91.77	92.06	89.23	94.71
Public Utilities Group	Jan. 28	97.94	96.85	*93.52	96.54
Industrials Group	Jan. 28	98.57	98.09	96.07	96.38
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S Government Bonds	Jan. 28	3.00	2.99	3.10	3.22
Average corporate	Jan. 28	4.00	4.03	*4.21	4.01
Aaa	Jan. 28	3.56	3.58	3.72	3.72
Aa	Jan. 28	3.77	3.78	3.96	3.86
A	Jan. 28	3.95	3.97	*4.18	3.99
Baa	Jan. 28	4.73	4.79	4.99	4.48
Railroad Group	Jan. 28	4.29	4.27	4.47	4.09
Public Utilities Group	Jan. 28	3.88	3.95	*4.17	3.97
Industrials Group	Jan. 28	3.84	3.87	4.00	3.98
MOODY'S COMMODITY INDEX	Jan. 28	391.2	395.6	394.3	432.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Jan. 18	255,702	264,368	206,345	237,425
Production (tons)	Jan. 18	281,999	275,279	290,705	278,737
Percentage of activity	Jan. 18	90	88	93	95
Unfilled orders (tons) at end of period	Jan. 18	377,663	402,939	276,494	430,271
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Jan. 24	108.49	108.44	108.26	111.14
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Jan. 4	1,661,710	1,296,210	1,497,380	1,273,040
Short sales	Jan. 4	209,250	194,070	304,800	196,810
Other sales	Jan. 4	1,408,310	932,940	1,147,680	1,319,980
Total sales	Jan. 4	1,617,560	1,127,010	1,452,480	1,516,790
Other transactions initiated on the floor—					
Total purchases	Jan. 4	335,910	294,020	397,110	293,500
Short sales	Jan. 4	19,010	24,400	44,900	26,400
Other sales	Jan. 4	301,610	194,650	403,520	306,490
Total sales	Jan. 4	320,620	219,050	448,420	332,8[illegible]0
Other transactions initiated off the floor—					
Total purchases	Jan. 4	529,591	460,164	505,535	494,825
Short sales	Jan. 4	74,290	46,590	130,300	104,780
Other sales	Jan. 4	417,040	335,922	527,102	596,404
Total sales	Jan. 4	491,330	382,512	657,402	701,184
Total round-lot transactions for account of members—					
Total purchases	Jan. 4	2,527,211	2,250,394	2,400,025	2,061,365
Short sales	Jan. 4	302,550	265,060	480,000	327,990
Other sales	Jan. 4	2,126,960	1,463,512	2,078,302	2,222,874
Total sales	Jan. 4	2,429,510	1,728,572	2,558,302	2,550,864
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	Jan. 4	1,478,388	1,069,228	1,225,767	1,306,817
Dollar value	Jan. 4	$53,115,822	$39,504,282	$50,692,078	$67,436,972
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Jan. 4	1,332,090	1,127,326	1,084,277	945,750
Customers' short sales	Jan. 4	5,389	8,917	11,791	5,723
Customers' other sales	Jan. 4	1,322,701	1,118,409	1,072,486	940,027
Dollar value	Jan. 4	$45,181,849	$38,952,023	$43,552,805	$46,447,579
Round-lot sales by dealers—					
Number of shares—Total sales	Jan. 4	396,200	347,330	320,570	222,030
Short sales	Jan. 4	------	------	------	------
Other sales	Jan. 4	396,200	347,330	320,570	222,030
Round-lot purchases by dealers—					
Number of shares	Jan. 4	520,530	323,610	452,460	521,260
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Jan. 4	457,890	367,890	663,830	411,210
Other sales	Jan. 4	13,026,630	10,021,700	11,668,470	10,584,780
Total sales	Jan. 4	13,484,520	10,389,590	12,332,300	10,995,990
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49=100):					
Commodity Group—					
All commodities	Jan. 21	118.8	118.7	118.4	117.0
Farm products	Jan. 21	94.3	*93.6	93.9	89.2
Processed foods	Jan. 21	109.2	*108.9	107.5	104.5
Meats	Jan. 21	101.0	100.7	96.8	84.0
All commodities other than farm and foods	Jan. 21	126.0	*126.0	125.3	125.2

*Revised figure. ¶Includes 901,000 barrels of foreign crude runs. §Based on new annual capacity of 140,742,570 tons as of Jan. 1, 1958, as against Jan. 1, 1957 basis of 128,363,090 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of December	10,575	9,270	10,788
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of November:			
Cotton Seed—			
Received at mills (tons)	931,617	1,139,754	1,070,580
Crushed (tons)	610,411	645,936	676,669
Stocks (tons) Nov. 30	1,233,215	912,009	2,353,184
Crude Oil—			
Stocks (pounds) Nov. 30	127,628,000	108,132,000	173,802,000
Produced (pounds)	203,699,000	223,092,000	229,605,000
Shipped (pounds)	146,271,000	142,251,000	169,019,000
Refined Oil—			
Stocks (pounds) Nov. 30	113,978,000	94,699,000	227,164,000
Produced (pounds)	133,777,000	130,973,000	159,780,000
Consumption (pounds)	109,610,000	116,520,000	127,954,000
Cake and Meal—			
Stocks (tons) Nov. 30	261,578	249,383	186,106
Produced (tons)	280,242	299,826	327,720
Shipped (tons)	268,047	259,656	312,428
Hulls—			
Stocks (tons) Nov. 30	96,248	77,319	61,652
Produced (tons)	131,667	136,097	142,245
Shipped (tons)	112,738	108,863	136,783
Linters (running bales)—			
Stocks Nov. 30	294,637	252,096	212,278
Produced	177,697	199,332	202,224
Shipped	135,056	143,620	162,907
Hull Fiber (1,000-lb. bales)—			
Stocks Nov. 30	849	1,039	649
Produced	1,007	1,392	1,086
Shipped	1,197	1,344	1,099
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks Nov. 30	2,364	1,846	2,729
Produced	1,207	1,461	1,456
Shipped	689	616	1,152
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE INSURANCE—Month of October:			
Death benefits	$248,800,000	$202,400,000	$223,200,000
Matured endowments	64,000,000	53,000,000	57,700,000
Disability payments	10,200,000	9,100,000	9,900,000
Annuity payments	47,600,000	42,600,000	45,500,000
Surrender values	118,300,000	92,500,000	95,800,000
Policy dividends	98,200,000	97,300,000	84,500,000
Total	$587,100,000	$496,900,000	$516,600,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE—Month of October (000,000's omitted):			
Ordinary	$3,978	$3,413	$3,320
Industrial	510	517	569
Group	1,244	672	967
Total	$5,732	$4,602	$4,856
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of Dec.:			
Industrials (125)	4.58	4.36	3.90
Railroads (25)	8.31	7.71	6.01
Utilities (not incl. Amer. Tel. & Tel.) (24)	4.89	5.04	4.84
Banks (15)	5.09	4.84	4.41
Insurance (10)	3.46	3.56	3.28
Average (199)	4.77	4.58	4.13
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of November (in billions):			
Total personal income	$345.4	*$345.9	$334.9
Wage and salary receipts, total	239.2	*240.1	233.1
Commodity producing industries	100.7	*101.3	101.2
Distributing industries	64.1	*64.3	61.4
Service industries	34.1	*34.0	31.9
Government	40.3	*40.5	38.6
Less employees' contribution for special insurance	6.8	6.6	5.9
Other labor income	8.0	8.0	7.7
Proprietors and rental income	50.7	*50.6	50.7
Personal interest income and dividends	31.7	31.7	30.4
Total transfer payments	22.0	*22.1	18.9
Total nonagricultural income	330.5	*331.0	319.3
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-1914=100—As of Nov. 15:			
All farm products	242	240	234
Crops	224	224	237
Commercial vegetables, fresh	241	221	266
Cotton	[illegible]	[illegible]	270
Feed, grains and hay	152	156	182
Food grains	221	219	232
Fruit	187	187	207
Oil-bearing crops	235	231	262
Potatoes	164	154	154
Tobacco	473	483	443
Livestock	258	254	230
Dairy products	279	277	279
Meat animals	278	274	231
Poultry and eggs	188	180	163
Wool	267	279	253
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of Oct. (000's omitted):			
Exports	$1,672,900	$1,541,200	$1,670,900
Imports	1,141,000	1,007,100	1,121,000
U. S. GOVT. STATUTORY DEBT LIMITATION —as of Dec. 31 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$278,000,000
Outstanding—			
Total gross public debt	274,897,784	274,746,849	276,627,527
Guaranteed obligations not owned by the Treasury	104,361	103,584	103,229
Total gross public debt and guaranteed obligations	$275,002,145	$274,850,434	$276,730,757
Deduct—other outstanding public debt obligations not subject to debt limitation	438,507	439,211	455,077
Grand total outstanding	$274,563,638	$274,411,223	$276,275,680
Balance face amount of obligations, issuable under above authority	436,361	588,776	1,724,319
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of December 31	$275,002,145	$274,850,434	$276,730,757
General funds balances	4,606,162	4,864,855	4,427,373
Net debt	$270,395,983	$269,985,579	$272,303,384
Computed annual rate	2.889%	2.893%	2.671%

With John G. Kinnard

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Robert O. Lee has been added to the staff of John G. Kinnard & Co., 80 South Eighth Street.

Joins Lincoln McRae

(Special to THE FINANCIAL CHRONICLE)

ROCKLAND, Me.—Everett S. Blethen is with Lincoln E. McRae, Inc., 292 Main Street.

With Reinholdt Garner

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Ernest G. Smith and Joseph T. Toberman are now with Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges.

Reserve Inv. Adds

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Virgil J. Burtnett is with The Reserve Investment Company, Dixie Terminal Building.

Director of Slayton

ST. LOUIS, Mo.—Walter T. Grimmer, Treasurer and Comptroller of Slayton & Co., Inc., 408 Olive Street, has been elected to its board of directors, Hilton H. Slayton, President, has announced.

DIVIDEND NOTICES

AMERICAN GAS AND ELECTRIC COMPANY

Common Stock Dividend

• A regular quarterly dividend of forty cents ($.40) per share on the Common capital stock of the Company issued and outstanding in the hands of the public has been declared payable March 10, 1958, to the holders of record at the close of business February 10, 1958.

W. J. ROSE, Secretary

January 28, 1958.

AMERICAN METER COMPANY

INCORPORATED

dividend notice

The Board of Directors, on *January 23, 1958*, declared a quarterly dividend of fifty cents ($.50) per share on the capital stock of the company, payable March 14, 1958, to stockholders of record at the close of business February 28, 1958.

W. B. ASHBY, *Secretary*

13500 Philmont Ave., Phila. 16, Pa.

AMERICAN & FOREIGN POWER COMPANY INC.

TWO RECTOR STREET, NEW YORK 6, N. Y.

COMMON STOCK DIVIDEND

The Board of Directors of the Company, at a meeting held this day, declared a quarterly dividend of 25 cents per share on the Common Stock for payment March 10, 1958 to the shareholders of record at the close of business February 10, 1958.

IMPORTANT

This dividend will not be distributed to holders of the old Preferred and Common Stocks of the Company until such shares have been exchanged for the new securities to which those holders are entitled under the Plan of Reorganization of the Company, which became effective February 29, 1952.

Holders of the old stock, all of whose rights expire on March 1, 1958, are urged to communicate with the Company.

H. W. BALGOOYEN,
Executive Vice President and Secretary

January 24, 1958.

QUALITY

The American Tobacco Company

210TH COMMON DIVIDEND
and an EXTRA DIVIDEND

A regular dividend of One Dollar ($1.00) per share and an extra dividend of One Dollar ($1.00) per share have been declared upon the Common Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on March 1, 1958, to stockholders of record at the close of business February 10, 1958. Checks will be mailed.

January 28, 1958

HARRY L. HILYARD
Vice President and Treasurer

DIVIDEND NOTICES

TITLE GUARANTEE and Trust Company

DIVIDEND NOTICE

Trustees of Title Guarantee and Trust Company have declared a dividend of 31¼ cents per share designated as the first regular quarter-annual dividend for 1958, payable February 21st, 1958 to stockholders of record on February 6, 1958.

WILLIAM H. DEATLY • *President*

Allied Chemical

DIVIDEND

Quarterly dividend No. 148 of $.75 per share has been declared on the Common Stock of

ALLIED CHEMICAL & DYE CORPORATION

payable March 10, 1958, to stockholders of record at the close of business February 14, 1958.

RICHARD F. HANSEN
Secretary

January 28, 1958

Continuous Cash Dividends Have Been Paid Since Organization in 1920

O'okiep Copper Company Limited

Dividend No. 45

The Board of Directors today declared a dividend of three shillings per share on the Ordinary Shares of the Company payable March 4, 1958.

The Directors authorized the distribution of the said dividend on March 14, 1958 to the holders of record at the close of business on March 7, 1958 of American shares issued under the terms of the Deposit Agreement dated June 24, 1946. The dividend will amount to approximately $.41 per share, subject, however, to any change which may occur in the rate of exchange for South Africa funds prior to March 4, 1958. Union of South Africa non-resident shareholders tax at the rate of 6.45% will be deducted.

By Order of the Board of Directors,
F. A. SCHECK, *Secretary.*

New York, New York, January 22, 1958.

IOWA SOUTHERN UTILITIES COMPANY

PUBLIC I.S.U.Co. SERVICE

DIVIDEND NOTICE

The Board of Directors has declared the following regular quarterly dividends:

35⅝ cents per share on its 4¾% Preferred Stock ($30 par)

44 cents per share on its $1.76 Conv. Preferred Stock ($30 par)

32 cents per share on its Common Stock ($15 par)

all dividends payable March 1, 1958, to stockholders of record February 14, 1958.

EDWARD L. SHUTTS,
Chairman

January 24, 1958

DIVIDEND NOTICES

COAST TO COAST NATIONAL SHIRT SHOPS

DIVIDEND NUMBER 66

OF DELAWARE, INC.

The Board of Directors has declared a regular quarterly dividend of 20c per share on the Common Stock, payable February 28, 1958 to stockholders of record February 14, 1958. Transfer books will not be closed.

SYLVAN COLE,
Chairman of the Board

National Distillers and Chemical Corporation

N.D. U.S.I.

DIVIDEND NOTICE

The Board of Directors has declared a quarterly dividend of 25¢ per share on the outstanding Common Stock, payable on March 3, 1958, to stockholders of record on February 11, 1958. The transfer books will not close.

PAUL C. JAMESON

January 23, 1958. *Treasurer*

Sinclair OIL CORPORATION

600 FIFTH AVENUE
NEW YORK 20, N.Y.

COMMON STOCK DIVIDEND No. 109

On January 22, 1958 a regular quarterly dividend of 75 cents per share was declared on the Corporation's Common Stock, payable March 15, 1958 to stockholders of record at the close of business on February 15, 1958.

SINCLAIR

A Great Name in Oil

SOUTHERN NATURAL GAS COMPANY

Birmingham, Alabama

Common Stock Dividend No. 76

A regular quarterly dividend of 50 cents per share has been declared on the Common Stock of Southern Natural Gas Company, payable March 13, 1958 to stockholders of record at the close of business on February 28, 1958.

H. D. McHENRY,
Vice President and Secretary.

Dated: January 25, 1958.

THE SOUTHERN COMPANY

(INCORPORATED)

The Board of Directors has declared a quarterly dividend of 30 cents per share on the outstanding shares of common stock of the Company, payable on March 6, 1958 to holders of record at the close of business on February 3, 1958.

L. H. JAEGER,
Vice President and Treasurer

THE SOUTHERN COMPANY SYSTEM
Serving the Southeast through:

ALABAMA POWER COMPANY
GEORGIA POWER COMPANY
GULF POWER COMPANY
MISSISSIPPI POWER COMPANY
SOUTHERN SERVICES, INC.

DIVIDEND NOTICE

The United Gas Improvement Company

DIVIDEND NOTICE

A quarterly dividend of 50c per share on the Common Stock, par value $13.50 per share, has been declared payable March 28, 1958 to stockholders of record February 28, 1958.

A quarterly dividend of $1.06¼ per share on the 4¼% Preferred Stock has been declared payable April 1, 1958 to stockholders of record February 28, 1958.

JOHNS HOPKINS, Treasurer

Philadelphia, January 28, 1958

Southern Railway Company

DIVIDEND NOTICE

New York, January 28, 1958.

Dividends aggregating 3¾% on 3,000,000 shares of Preferred Stock of Southern Railway Company of the par value of $20 per share have today been declared out of 1957 earnings, payable as follows:

Amount	Date of Payment	To Stockholders of Record at the Close of Business on:
1¼% (25¢)	Mar. 14, 1958	Feb. 14, 1958
1¼% (25¢)	June 13, 1958	May 15, 1958
1¼% (25¢)	Sept. 15, 1958	Aug. 15, 1958

A dividend of seventy cents (70¢) per share on 6,491,000 shares of Common Stock without par value of Southern Railway Company has today been declared out of the surplus of net profits of the Company for the fiscal year ended December 31, 1957, payable on March 14, 1958, to stockholders of record at the close of business on February 14, 1958.

J. J. MAHER, Secretary

SUNRAY D-X PETROLEUM PRODUCTS

73rd REGULAR DIVIDEND

The directors, on January 17, declared a regular quarterly dividend (No. 73) of thirty-three (33) cents per share on its common stock, payable March 15 to shareholders of record February 7. The quarterly dividend (No. 11) on the 4½ per cent Cumulative Preferred Stock, Series A, at 28⅛th cents per share, and the quarterly dividend (No. 11) on the 5½ per cent Cumulative Convertible Second Preferred Stock, Series of 1955, at 41¼th cents per share, each will be paid on March 1 to shareholders of record February 7

W. D. FORSTER, Secretary
January 17, 1958

SUNRAY MID-CONTINENT
Oil Company

SUNRAY BLDG. TULSA, OKLAHOMA

YALE & TOWNE

Declares 280th Dividend

37½¢ a Share

On Jan. 23, 1958, dividend No. 280 of thirty-seven and one-half cents per share was declared by the Board of Directors out of past earnings, payable on April 1, 1958, to stockholders of record at the close of business March 13, 1958.

Wm. H. MATHERS
Vice-President and Secretary

THE YALE & TOWNE MFG. CO.

Cash dividends paid in every year since 1899

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — The United States, with only 7% of the World's population, produces more than 40% of the world's electricity, and owns nearly half of the wealth of the globe.

The electrical capacity in this country today is greater than in any other combined seven nations of the world, including Russia, Britain, West Germany, Canada, Japan and Italy. Since 1862 the industry has doubled its output every 10 years. During the next decade, with our population expected to climb to 200,000,000, the electrical output is expected to double over the present capacity.

Has Public Power Trend Been Arrested?

Here in the nation's Capitol the question has been raised: Has the spread of public power been slowed down precipitately during the five years that President Eisenhower and the Republicans have been in control of the Executive Branch of the government? The answer, at least in part, is: Yes, it has been curbed to some extent, but the capacity of public power continues to go up.

Congressional Committees are preparing to bring up the old but perennial question of public versus private power pertaining to a series of pending bills. They range from the depression-born TVA (Tennessee Valley Authority) to atomic energy which had its inception little more than 15 years ago when wraps were taken off an atomic pile in the University of Chicago's Stagg Field before a little band of scientists. Now Congress is spending billions each year on atomic research and development.

Joint disclosure by the United States Atomic Energy Commission and Britain's Atomic Energy Authority that it has been determined that the mighty hydrogen bomb can be harnessed for unlimited production of electric energy probably means more public funds will be sought for earmarking for the Atomic Energy Commission.

More Atom Power

The use of electricity is growing and growing in this age of industrial revolution. Air conditioning alone is tremendous and it promises to get many times bigger than it is today. It is because of the big growth and the industrial revolution that is taking place in this country that members of Congress, like Senator Clinton P. Anderson, Democrat of New Mexico, is seeking to get the United States Government to expand its atomic power activities.

Fight Over TVA

Perhaps the most spirited "public versus private power issues" shaping up in Congress involves the TVA which wants to issue up to $750,000,000 in bonds and expand generally in the TVA territory. Meantime, a group of private electric companies are seeking to convince the majority of Congress that it is best for the country that TVA be kept within its present boundaries.

The private companies want TVA put on an equal tax-paying footing and under Federal Power Commission control. Their plan would include requiring TVA to pay adequate interest on the whole investment in the vast public project: require TVA to pay Federal corporate and excise taxes; require TVA to compensate other Federal agencies for services they render the TVA; make the TVA properties subject to state and local taxes, and limit TVA to its present territory.

The Incidence of Public Power

It is extremely doubtful Congress will comply with few if any of the recommendations of the private companies. The facts are the overall trend in this country since 1902 has been toward public power. Many people mistakenly feel that the trend toward public power started when Franklin D. Roosevelt crushed Herbert Hoover and the Republican Party in the 1932 Presidential election.

The first public power project was supplied from a dam in Arizona, christened for President Theodore Roosevelt. Subsequently, Roosevelt Dam was superceded by a larger dam named Coolidge Dam in honor of Calvin Coolidge. When Republicans controlled the House and Senate in 1947, they changed the name of giant Boulder Dam to Hoover Dam. The late stormy New Deal Secretary of Interior, Harold Ickes, had been responsible for changing the name from Hoover to Boulder in 1933, although the Republican Administrations in the 1920's had been responsible for providing for them.

TVA, which serves a half-dozen states, was created in the 1930's under the Administrations of Franklin D. Roosevelt. However, the late Senator George Norris, Republican of Nebraska, is regarded as the father of TVA.

TVA No "Orphan"

One does not have to be an engineer to understand that TVA is perhaps the greatest comprehensive river development-power, flood control, and agricultural and industrial development in the world. It has been terrific. In one year alone 2,600 people from 80 nations of the world came to study TVA. Neither does one have to be a fiscal expert to understand that all of the American people have contributed to this development. That is why competitive private companies want TVA in the future, which is strong, to stand on its own feet and pay its own way which it can do without difficulty, according to qualified people who know the ramifications.

The TVA is one of four agencies of the United States Government dealing with the public power question. The others are Army Engineers, Interior Department's Bureau of Reclamation and the International Boundary and Water Commission which has United States jurisdiction over the Falcon Dam on the Rio Grande River on the United States and Mexican borders. About 85% of all Federal power in this country is hydroelectric. This is understandable in view of the fact that the Federal Government has jurisdiction over the nation's navigable streams.

100 Federal Projects

The Federal Government's more than 100 hydroelectric power projects, like the Hoover Grand Coulee and Bonneville Dams in the west, are usually the largest and most dramatic. They also are responsible for producing about one-third of the hydro-electric power in the nation. Nearly half of all Federally generated power goes preferentially to municipalities, cooperatives and other public power agencies. Private utilities get some of it for resale and some of it is sold to large industrial users engaged primarily in defense work.

Engineers maintain that in the Columbia River basin of the Pacific Northwest the hydroelectric potential is more than 10 times greater than the TVA. The Columbia basin is also larger in land area than TVA. The Army Engineers and the Bureau of Reclamation generate most of the power. The power in the Northwest is pooled and transmitted over the Bonneville Power Administration which is under the Department of the Interior.

Thus far Congress has turned thumbs down on creating an agency similar to TVA and Bonneville Power Administration for the big Missouri River basin, said to be twice as big as the Columbia and twice the hydro-electric potential of TVA. However, army engineers and the Bureau of Reclamation have been cooperating in connection with the power development of the region.

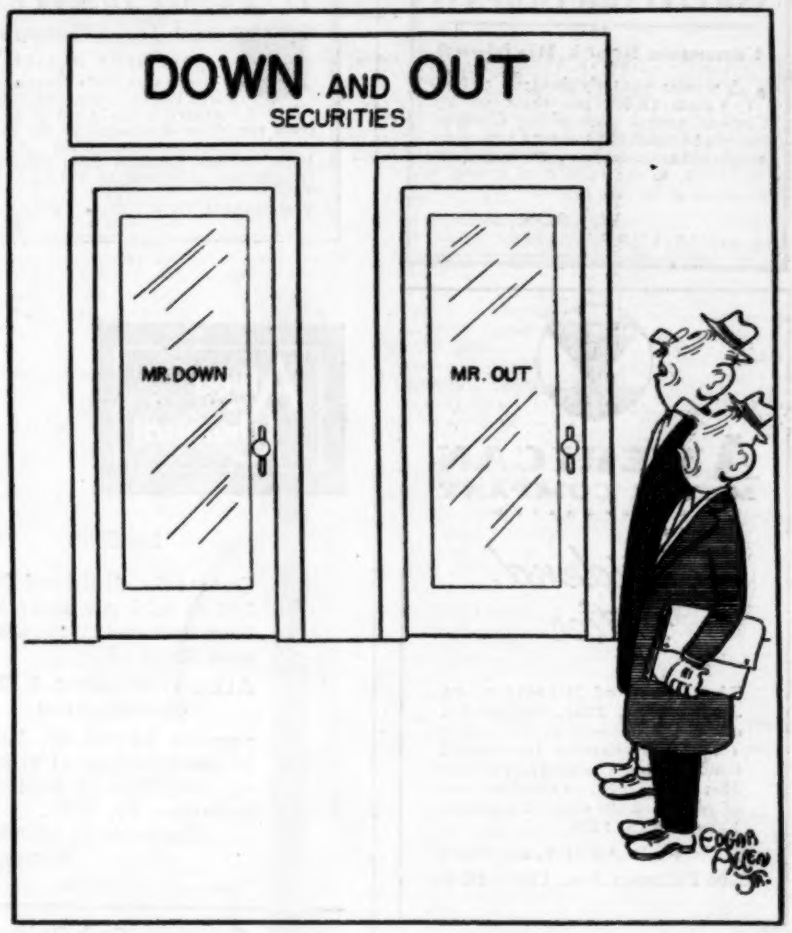
More Public Power?

The Senate Public Works Committee reported in 1957 that generation of power from Federal projects is self-liquidating and returns interest on the Federal investment. The Committee said the Federal projects as a whole have become more self-liquidating and more tax-paying in recent years.

However, the people generally living outside the Federal power areas frown upon the tax exemptions and special privileges granted to government power bodies. Nevertheless, the Federal Government's withdrawal from the public power field is extremely unlikely. The chances are it will grow and grow in the future.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ



"You'd think before they formed the partnership they would have weighed all the psychological angles!"

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